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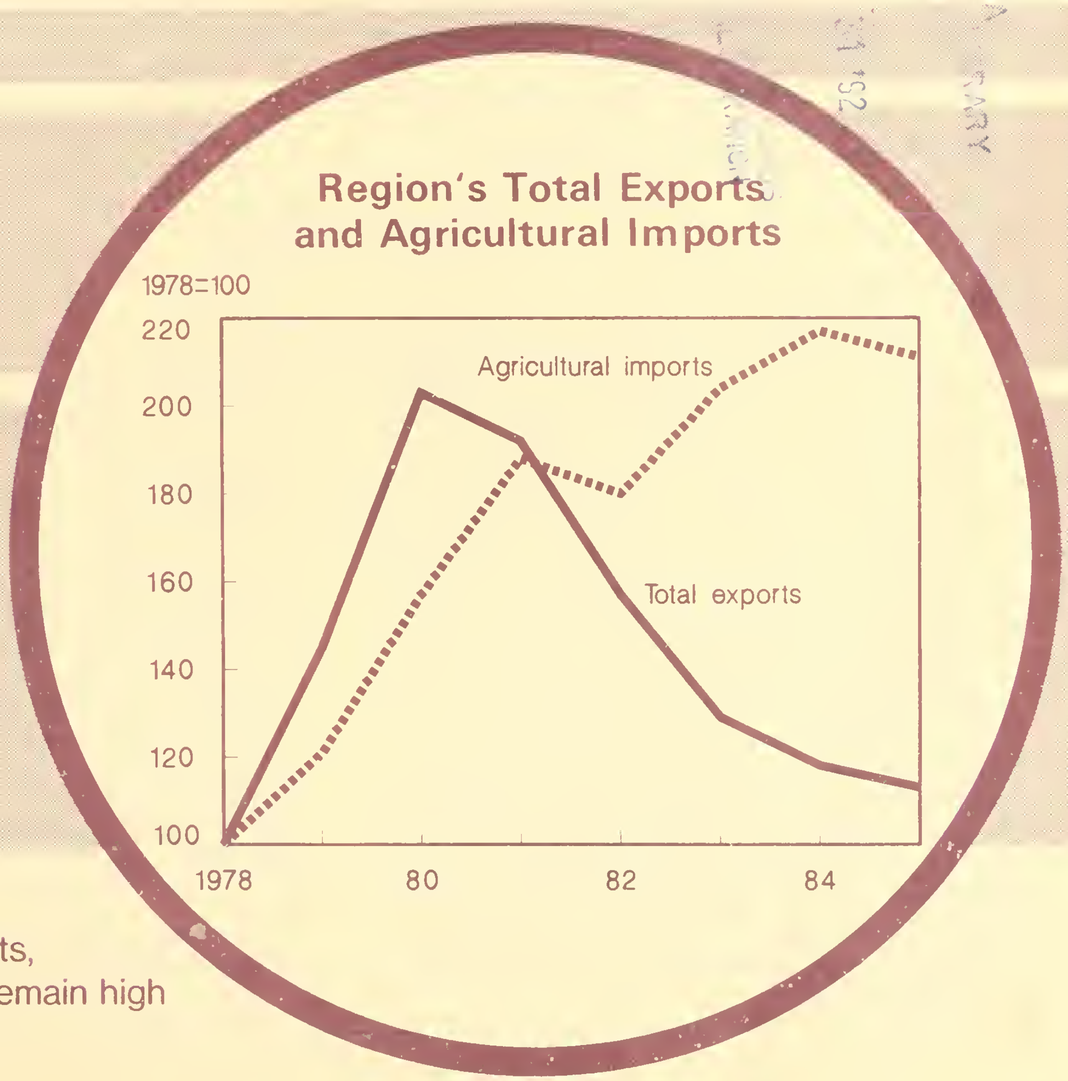
Middle East and North Africa

Situation and Outlook Report



Despite lower oil exports,
region's food imports remain high

CONTENTS

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In this report, all tons are metric and all dollars U.S. unless specified otherwise.

SUMMARY

Despite continued lower export revenues, 1985 food imports by the Middle East and North African region declined only 3 percent, to an estimated $30 billion. An increase in high-value imports partially offset lower grain volume and prices. Greater domestic production cut grain import needs. U.S. agricultural exports to the region, however, fell by 31 percent to $2.5 billion, lowering the U.S. share of the market to 8.4 percent. U.S. exports were hit by a variety of factors, some general--such as the strong dollar and the region's move to diversify suppliers--and some specific--such as the suspension of the blended credit program and more favorable credit terms from France. The European Community's market share rose slightly to 23 percent, or $7 billion, with larger exports going mainly to North Africa, particularly Morocco.

U.S. agricultural sales to Iraq and Turkey turned sharply lower last year, as these countries failed to use a substantial portion of U.S. credit and also diversified suppliers. Continued political hostility between the United States and Iran and Libya explains the poor U.S. showing in those markets. On the other hand, Egypt surpassed Spain as the ninth leading U.S. market--at $891 million. U.S. sales to Egypt were down--2 percent--but the drop was the smallest among the top 10 U.S. markets.

Improved 1985 production of wheat and barley reduced import requirements in countries recovering from 1984 droughts, such as Morocco, Tunisia, Iran, and Iraq. Saudi Arabian wheat output peaked at a record 2 million tons, and Algeria also produced a record grain crop. Egypt's grain output rose slightly but imports remained at 9 million tons. While the region's total agricultural production has been increasing, per capita production has been slowly declining and is currently at 96 percent of the 1976-78 average.

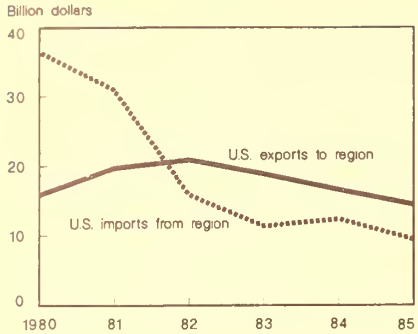
The region's total export earnings last year continued the downward spiral begun in 1981, when OPEC began to curtail export volume to sustain petroleum prices. Total export earnings by the region's OPEC countries have plummeted from a staggering $225 billion in 1980 to $108 billion in 1985. The trade surplus dropped from $134 billion in 1980 to only $20 billion last year. OPEC's decision to increase petroleum export volume late in 1985 dropped oil prices precipitously, and this has implications for the rest of the decade.

The effect of lower oil revenues on the agricultural imports of the region will vary. In general, the imports of high-income oil exporters, including Saudi Arabia, Libya, and Kuwait, will not be greatly affected in per capita terms. Medium-income OPEC countries--Algeria, Iran, and Iraq--will also remain large food importers, the latter two especially because of the war. Countries which have become dependent on transfers and remittances from their citizens working in the Persian Gulf and Libya, such as Egypt, Jordan, and the Yemen Arab Republic, may have to reduce commercial agricultural imports because of foreign exchange and government financial constraints.

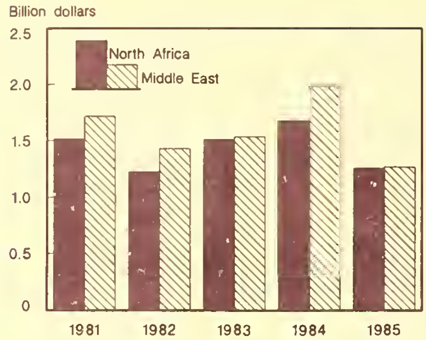
The region's agricultural outlook for 1986 includes an excellent grain harvest in Morocco and improved production in Turkey and Jordan. Subsidy cuts will lower Saudi wheat production but a surplus persists. Severe drought is plaguing the grain crops in Tunisia and Israel. With lower world cotton prices, many of the region's producers are searching for alternative export crops, particularly in Israel, Syria, and to some extent Turkey.

Prospects for U.S. trade are improved. GSM-102 and Export Enhancement programs are available and lower commodity prices are making U.S. products more competitive. However, competition for the region's $30 billion agricultural market will remain intense, with credit, countertrade, bilaterals, and prices determining market shares.

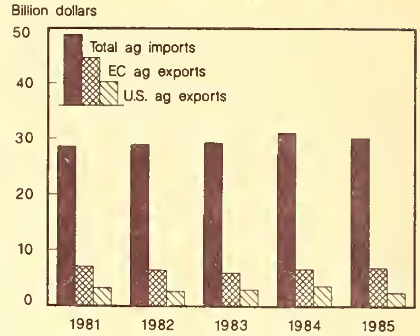
Total U.S. Trade with the Region



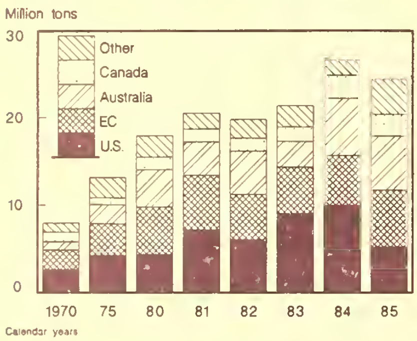
U.S. Agricultural Exports



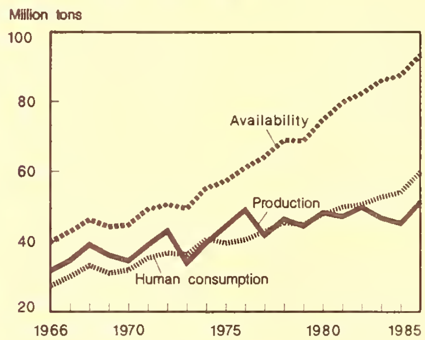
Region's Total Agricultural Imports, and U.S. and EC Exports to Region



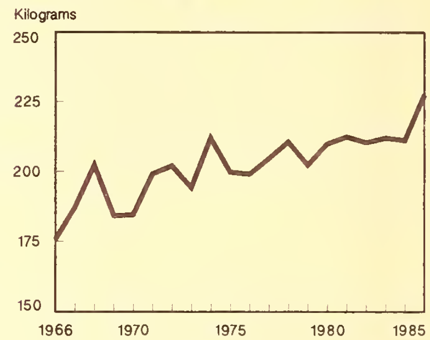
Wheat Imports Into Region by Supplier



M.E./N.A. Total Grain Situation



M.E./N.A. Per Capita Grain Consumption



THE MIDDLE EAST

Iran

Shortages Persist

Iran's economy rebounded in 1985, as some industries in the war area previously occupied by Iraq reopened and agricultural production recovered from the deep drought of 1984. However, severe shortages of many food items and consumer goods remained, and efforts to obtain scarce foreign exchange included larger exports of petroleum and some minor items. Lower petroleum prices were not fully offset by higher volume, and total exports declined 3 percent to $12.3 billion.

The war and the dwindling foreign exchange reserves caused the open market rate for the Iranian rial to fall to one-tenth of its 1980 value of 70 to one U.S. dollar. Eroding currency value and shortages resulted in an inflation rate estimated at over 80 percent. This places Iran in a precarious situation; curtailing food imports because of lower petroleum revenues can lead to serious political problems. One result has been greater use of countertrade—oil for food.

Iran's real gross domestic product (GDP) rose about 10 percent in 1985, following a decline of 4 percent in 1984. Per capita income was estimated at $2,400. Merchandise imports were down 25 percent to $13.3 billion. Iran's problematic trade relations were exacerbated by a policy of avoiding imports from the United States, France, Israel, South Africa, and Egypt. At the same time, the Iranians sought to increase petroleum exports to any country, including the United States. The United States remained an importer of Iranian oil, although the value was only two-thirds the $1.1 billion recorded in 1983. Efforts to expand other exports to the United States included a 31-percent cut in the average price for pistachios.

Countertrading was sought even with customers previously alienated by Iran. Close to one-half of Iran's petroleum exports now move through some form of countertrade, which means that a greater quantity is being exported to assure scheduled imports. In some cases, Iran is monopolizing the market, making it difficult for other oil exporters to gain a share. Turkey is one country whose

countertrade with Iran and Iraq has reduced other oil exporters' share. Other Iranian countertrade is listed on the adjacent table.

Agricultural Output Rebounds

In 1985, agricultural production rose about 8 percent, following a 4 percent decline in 1984, when drought reduced yields in western Iran. Wheat output rebounded 18 percent to an estimated 5.3 million tons, and excellent yields in Kurdestan saw the barley crop rise to 1.45 million tons. Rice production increased 3 percent, as yields improved near the Caspian Sea. Farmers received more credit for tractors, fertilizer, and other inputs through cooperatives, which also helped improve marketing of fruits, vegetables, and livestock products.

Prices for wheat, barley, and rice were above the world average at the official exchange rate. Bread and other essential foods are now sold at subsidized prices in most of the country, in contrast to 6 years ago, when the rural areas were not extensively served by public food distribution. While Government control of imports has tightened, the private sector has been given more leeway in retail trade and in nonoil exports.

Output of livestock products rose about 4 percent last year, but shortages of meat and eggs remained severe. Consumer lines are common, and increasing meat prices reflect the country's inability to meet demand. Difficulties with Argentina resulted in a dwindling of corn imports late in 1985, preventing forecast increases of poultry meat output. Output of dates—a major export—increased 17 percent because of more favorable weather than the preceding season. Pistachio production rose to 52,000 tons, providing extra supplies for export. A larger almond harvest allowed exports to resume.

Agricultural Imports Decline

In 1985, agricultural imports retreated 5 percent from the peak $3.7 billion of 1984, mostly because of reduced wheat purchases. Imports of wheat and flour reached a record 3.7 million tons in 1984, but declined about 1 million tons in 1985. Domestic wheat procurement tripled last year and Argentine deliveries fell to 370,000 tons, from 1.3 million in 1984. Australian deliveries also fell,

Iranian countertrade

Country	Iranian petroleum value	Products delivered to Iran
	$ million	
Turkey	900	Trucks, food, textiles
Taiwan	300-400	Engineering goods, clothes
Brazil	450	Steel, food, spare parts
China	800	Machinery, hardware, food
East Germany	120	Machine tools, flour mills
New Zealand	200	Mutton, beef, dairy
products		
Australia	300	Wheat, mutton, barley,
beef,		
		wool, processed food
Austria	600	Industrial machinery,
food,		
		equipment
United Kingdom	130	Motor vehicles, barley
Finland	123	Forest products, cheese
Sweden	200	Trucks, wheat, spare parts
Uruguay	250	Beef, mutton, rice, other
food		

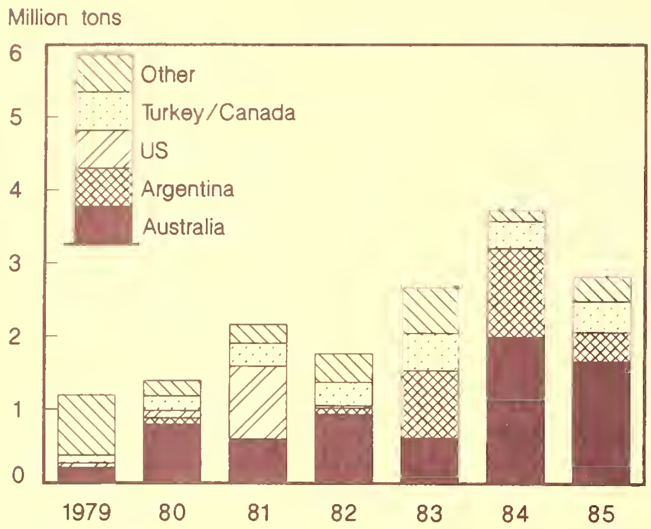
from 2 million tons in 1984 to 1.7 million. Canada, Turkey, Sweden, and Pakistan were other wheat sources.

Rice imports increased 3 percent from the 710,000 tons of 1984, although imports from Thailand were a tenth below 1984's 414,000 tons. Iran's rice imports became more diversified in 1985; greater purchases from Uruguay, China, Guatemala, Pakistan, India, and Burma offset the decline of Thai deliveries. Iranian Government policy has excluded supplies from the United States and Argentina.

Iranian feed grain imports last year declined nearly 43 percent from 1984, as barley output revived and Argentine corn shipments fell to half the 622,000 tons of 1984. The European Community's (EC) exports of barley to Iran tripled in 1984 reaching 184,000 tons, and remained substantial in 1985 with deliveries of over 100,000 tons from the United Kingdom. EC restitution payments allow the British to export barley to Iran at a concessional price.

Since the early 1980's, Turkey has been a major agricultural supplier to Iran, with exports averaging $215 million annually during 1982-85, ten times the 1980 level. Countertrade of petroleum for an array of Turkish products spurred the trade. In 1985, Iran exported over $1.2 billion worth of petroleum to Turkey and imported about $900 million worth of goods, including more food, textiles, cement, and trucks. Turkey's exports of wheat flour to Iran reached 76,000 tons in

Iran's Wheat and Flour Imports by Supplier



1984 and remained there in 1985. Wheat deliveries averaged 200,000 tons annually. According to Turkish data, Iran is the leading market for Turkey's mutton, averaging 14,000 tons annually during 1983-85. Turkey's exports of pulses to Iran declined from 14,415 tons in 1984 to about 6,000 in 1985, while shipments of Argentine dry beans doubled to 14,300 tons.

EC agricultural exports to Iran approached $1 billion in 1981, but were only half that value during 1982-85, partly because of lower sugar prices. Dairy products, meat, and sugar are more important among EC exports to Iran than cereals, which were valued at $67 million in 1984.

Politics Sways Trade Relations

Since 1982, Iran has boycotted U.S. food and purchased more grain from Australia, Canada, Argentina, and some new suppliers. In 1985, Argentina also incurred Iran's wrath because of its sales of military equipment to Iraq, and Argentine corn exports to Iran dwindled. Purchases of wheat became more diversified, with relatively small amounts coming from Austria, Sweden, Spain, and Pakistan.

Agricultural Trade Favors Iran

The aversion to purchasing U.S. food has at various times contributed to serious shortages in Iran. U.S. agricultural exports remained below $2 million annually during 1983-85; purchases were mostly seeds. In 1985, the leading U.S. agricultural import from Iran was pistachios, up 24 percent to 12,040 tons for $35 million. This was in response to a 31-percent price drop to $2,896 per ton. Accused of dumping and subsidizing, Iran failed to respond to a U.S. complaint. That failure in turn resulted in an imposition of U.S. duties, more than tripling the import price of Iranian pistachios.

Now, U.S. date producers are also complaining of Iranian competition; dried date imports from Iran increased 38 percent in 1985 and the price fell 15 percent. U.S. imports of Iranian dates were over 9,000 tons, nearly half the total date sales to U.S. consumers.

Shortages to Continue

Iran's food shortages are likely to continue. The population is increasing at 2.9 percent per year and food output is stagnant. The index for 1985 food output was 102, based upon (1976-78=100), indicating that total production has nearly recovered to its prerevolutionary level. But per capita production was down 21 percent. This, plus increasing countertrade will keep 1986 agricultural imports at the 1985 level. To ease shortages, some increase is likely to occur in imports of beef, poultry meat, and eggs. The policy of avoiding food purchases from the United States, Argentina and France will exert pressure for extra imports from Turkey, EC, Australia, and a number of smaller suppliers. [*John B. Parker (202) 786-1680*]

Iraq

War, Staggering Foreign Debts Beset Economy

The continuing war with Iran and a staggering foreign debt caused grave concern over Iraq's creditworthiness in 1985. A liquidity crisis and inadequate imports fueled inflation and shortages. As a result, Iraq bolstered petroleum exports sharply in late 1985 when the pipeline to Yanbu in Saudi Arabia opened.

In 1986, Iraq plans to double the volume of petroleum exports to 2 million barrels per day (bpd). Part of the new export offensive

will include more countertrade. Foreign exchange reserves declined from $35 billion in 1980 to only 6 percent that amount in 1985, and the value of petroleum exports fell from $26 billion to $11 billion. Countertrade with Turkey, Brazil, and the Soviet Union accounts for half the petroleum exports. Despite the substantial rebound in Iraqi farm production, about two-thirds of the food supply is imported.

Government enterprises accounted for about 80 percent of industrial output in 1985, although new policies were more favorable to private enterprise. Wider distribution of income and restricted imports—with 93 percent handled by state trading agencies—have fueled inflation, estimated at 50 percent for 1985. Price ceilings for essential commodities prevented even higher inflation. Iraq's gross national product (GNP) last year rose about 10 percent to $33 billion, with dramatic gains for agriculture and manufacturing.

Barley, Wheat Output Recovers

In 1985, agricultural output increased 19 percent from a drought-stricken 1984 crop. Good weather contributed to a bumper barley harvest of 1.1 million tons, triple that of 1984. Response to new leases of public land and abandoned state farms also helped revive wheat production to 600,000 tons, more than double 1984's level. Rice output continued to decline as the war with Iran interfered with cultivation.

Problems with imports from Turkey contributed to higher prices for apples, oranges, grapes, and apricots and provided further producer incentives. Date prices increased sharply because of shortages of other fruits and higher labor costs. Date production rebounded to about 330,000 tons, following a 65-percent reduction in 1984 because of bad weather. During 1980-82, Iraq was the world's leading date producer. But, strife in a major producing area south of Basra, labor shortages, and more lucrative alternative employment have kept recent output at about half the peak of 5 years ago. Iraq now ranks fifth in date production, following Saudi Arabia, Egypt, Pakistan, and Iran.

Ample credit, modern technology, good prices, and marketing assistance stimulated commercial production of broilers, eggs, and milk. As a result, poultry meat output rose to an estimated 250,000 tons, 61 percent to over 1983 and 14 percent above 1984. The producer price for poultry meat was increased 53 percent in early 1984 to $4.19 per kilo, the same as for imported poultry meat. Egg

Iraq's agricultural imports by quantity and value, 1984 and 1985

Commodity	1984	1985	1984	1985
	1,000 tons		$million	
Wheat	2,875	2,467	518	395
Wheat flour	300	270	78	70
Rice	51	560	256	281
Barley	541	350	86	48
Corn	352	370	59	63
Soybean meal	240	210	51	47
Beef	98	109	178	203
Mutton	52	57	60	72
Frozen poultry	107	73	110	82
Offals, edible	4	5	8	9
Canned meat	20	29	40	57
Milk, dry	48	49	115	117
Milk, condensed	7	8	10	11
Butter	9	10	23	22
Cheese	30	32	59	62
Eggs	68	76	84	94
Potatoes	48	63	12	15
Tomatoes, fresh	44	39	7	6
Onions	30	32	6	6
Pulses	84	67	45	43
Oranges	40	30	19	15
Lemons	4	3	5	4
Bananas	13	8	4	2
Apples	45	26	30	15
Grapes	5	5	2	2
Raisins	8	7	6	6
Pears	6	4	2	2
Margarine	14	15	17	16
Palm oil	193	197	145	144
Sunflower oil	22	35	17	20
Tallow	12	19	6	10
Sugar	555	580	178	181
Canned fruit	26	33	34	31
Tea	36	38	118	126
Chocolate	1	1	4	4
Tree nuts	15	10	20	14
Tobacco	7	10	33	45
Peanuts	2	2	3	2
Cotton	23	21	42	39
Cattle (nos)	27	26	32	31
Sheep (nos)	420	390	30	29
Other	NA	NA	533	539
Total	NA	NA	3,085	2,980

NA = Not applicable.
SOURCES: 1984 FAO Trade Yearbook and ERS estimates from matrix tables.

output rose about a fourth to 1.34 billion, and a 40-percent rise is expected in 1986, a response to easy credit and subsidies.

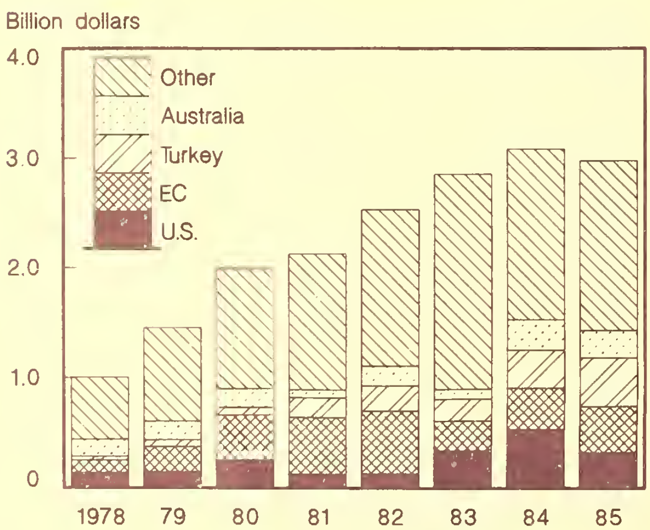
Imports Become More Diversified

A decline in wheat and barley imports last year was partly offset by larger imports of beef, eggs, tobacco, soybean meal, dairy products, and corn, keeping total agricultural imports at about $3 billion. Turkey was the top supplier at about $440 million, up 27 percent from 1984. The advantages of land transportation, a multicommodity trade agreement, and favorable prices have allowed Turkey to surpass the United States and the EC.

Turkey is now Iraq's major source of food imports, with a sixfold increase since 1980. Turkey exports a wide range of products to Iraq. Those with a value of over $20 million include mutton, eggs, wheat, wheat flour, and sugar; those with a value of over $10 million include beef, pulses, and cotton.

EC agricultural exports to Iraq were an estimated $390 million last year. In the early eighties, EC exports were severely affected by foreign exchange restrictions and fell from $577 million in 1982 to only half that in 1983. Efforts to sell more subsidized beef and dairy products succeeded in pushing the value back to $375 million in 1984. France and Ireland are major suppliers of beef, and Greece is a leading supplier of wheat flour.

Iraq's Agricultural Imports by Supplier



U.S. agricultural exports to Iraq last year fell 39 percent to $326 million, down from a record $535 million in 1984. Only half of the GSM-102 allocation for fiscal 1985 was used. Iraq purchased more items through trade agreements from less expensive suppliers and made little effort to use GSM 102 credit for barley, beef, canned fruit, cottonseed, potatoes, and canned meat. However, available credit for rice and seeds was almost totally taken. U.S. exports of wheat declined 52 percent to 532,000 tons, with a 64-percent decline in value to $78 million. Iraq's total wheat and flour imports slipped from 3.3 million tons in 1984 to 2.7 million in 1985, all U.S. wheat. Australia's deliveries remained at nearly 1.3 million tons.

Iraq remained the top market for U.S. rice, although shipments declined 9 percent. U.S. barley shipments fell 64 percent from 276,000 tons in 1984. As a preferred feed for poultry, corn fared better, with only a 29-percent decline to 240,000 tons. As plans for livestock expansion were scaled down, purchases of U.S. soybean meal fell to 103,000 tons, half the 1984 peak. But Iraq became a new market last year for U.S. milk, butter, tallow, seeds, pulses, tobacco, sunflower oil, sugar, and wheat flour.

Shortages of many food items remain severe, although adequate supplies of bread, rice, poultry products, and summer vegetables allow the people to cope with a difficult situation. The pent-up demand for many imported commodities is tremendous, and efforts to arrange purchases not requiring immediate payment in foreign exchange are a major function of the Ministry of Foreign Trade.

Policy Changes Aim To Boost Agriculture

Because of the 1984 drought and serious disruptions of food imports passing through the Persian Gulf, the agricultural sector received high priority in 1985. Land taken from wealthy farmers in the 1970's was leased at favorable rates to private farmers, and state farms received less emphasis. Producer prices increased markedly. Price controls for fresh produce were modified. Easy credit and subsidies were used to encourage investments in agribusiness.

Trade policy was influenced last year by the inevitable shortage of foreign exchange. Countertrade arrangements used to promote petroleum exports from the new Yanbu facilities included swaps for beef and mutton from Argentina and Uruguay, palm oil from Southeast Asia, vegetable oils from Brazil, and canned meat from the EC and Eastern Europe. Government control of trade has tightened, with reorganization of trade functions under the Ministry of Foreign Trade.

Food Imports to Continue High

Lower petroleum revenues are unlikely to reduce Iraq's 1986 food imports, because doing so would exacerbate current shortages and also because countertrade arrangements allow extra sales of petroleum to provide payment for food imports. The countertrade advantage is particularly true for trade with Turkey, Eastern Europe, and South America. Petroleum exports to the United States--a top cash customer--may rise to about $1 billion in 1986. Iraq is willing to make considerable price concessions in view of its critical foreign exchange shortage. Also, sales to the U.S. provide dollars for repayments on the $1.7 billion debt that Iraq owes to U.S. banks.

With continued credit, U.S. agricultural exports to Iraq should pass $400 million this year, including wheat, pulses, soybean meal, vegetable oils, and cotton. A new market for 125,000 tons of U.S. wheat flour is opening. But Turkey is expected to remain Iraq's leading supplier of agricultural imports, and EC sales of livestock products and sugar are likely to rise. This indicates continued very sharp competition for the Iraqi market. [*John B. Parker (202) 786-1680*]

Israel

Improvement Marks Economy

In 1985, the Israeli economy responded to severe austerity measures; rampant inflation at the beginning of the year gave way to single-digit increases under a myriad of wage-price controls. Inflation had hit 445 percent in 1984, and was 185 in 1985. Since the Government freeze was implemented in July 1985, inflation has been only 20 percent, on an annual basis. The austerity program--with the elimination or reduction of subsidies on many basic goods and services--reduced the average Israeli's standard of living. In addition, major layoffs in both the private and the public sectors caused unemployment to rise to near 10 percent. There are now more than 115,000 Israelis out of work.

After the slump of 1983/84, agricultural production returned to the 1982/83 level, but net farm income failed to recover at the same rate, although some improvement was noted. Increased returns for citrus, some other fruits, and for most livestock products were mostly offset by declines for cotton, wheat, and avocadoes. Increasing numbers of farmers and farming communities experienced financial problems.

In recent years the high value of the dollar wreaked havoc on Israel's exports to Western Europe, its major outlet. While Europe is still Israel's natural outlet, the accession of Spain and Portugal to the EC has hastened the effort by Israel's exporters and planners to reduce Israeli dependence on the EC. With the establishment of the Free Trade Agreement (FTA) with the United States, there is a further interest in the U.S. market.

Agricultural Sector Beset by Problems

Israel's agricultural sector faces many problems, both physical and economic, which have left many producers in an unviable financial situation and the Government with some difficult choices. On the physical side, 1985 wheat output was the lowest in two decades, hit by the second consecutive drought. Production, at 110,000 tons, was slightly lower than the previous year. With water shortages, massive irrigation was required and the heavy expenditure--as the Government continues to reduce subsidies--added to farmer losses. As a result, Israel's wheat imports in 1986 will likely rebound to the 570,000 tons of 1983, with the United States the major supplier and the Israeli Government as the sole purchaser.

Citrus also had its share of problems. While growers stopped pulling up trees last season--because of good prices resulting from the Florida and Spanish freezes--the

long-term outlook is for a continuing contraction of citrus. For the 1984/85 crop there was no shortage of inputs. However, because of the high inflation and the difficulty of assessing returns, input expenditures became a function of cash flow rather than cost factors.

Cotton output for 1985 was a record 97,000 tons, but it came at an extremely unpropitious time, as world prices continued to decline. For many farmers returns do not even cover variable costs and alternative crops present producers with a dilemma, since heavy investment in infrastructure, machinery, and water for cotton has already been made. The cotton area--approximately 67,000 hectares--is the largest devoted to one crop except for wheat, which is mostly produced on rainfed area.

Some Farm Operations Too Small To Be Viable

The macroeconomic links between the whole economy and agriculture took their toll in 1985. Parts of the agricultural sector experienced extreme financial hardships, an inability to adjust to external forces (such as exchange rates and competition), and in many cases a retrenchment and reevaluation of agriculture's role in Israel's economy. A number of moshavim (cooperatives)--perhaps as many as one-fourth--are no longer agriculturally viable, holding extraordinary high debts with little hope of interest repayment, let alone principal. Many farmers are too small to operate efficiently or to compete in the international arena.

A restructuring leaving fewer farmers with increased acreage is essential. The ministry of agriculture is encouraging farmers to seek urban employment, not an easy task in view of the increasing unemployment and other economic difficulties. Many moshavim also expanded in the last two decades, with their principal aim to meet export demand. However, the strong dollar in the last 2 to 3 years, weak European currencies, and Israel's high inflation eroded its position in international markets.

As a result of the financial straits, approximately one-third of the present cooperative villages are likely to eventually evolve into nonagricultural communities with most of their income deriving from nonagricultural pursuits. Another 40 percent will likely survive the financial crisis, but structural adjustments will be necessary and some of their income will come from nonagricultural pursuits. The remaining moshavim are the old established farming communities whose infrastructure was set decades ago. They have established marketing quotas, control a large share of domestic dairy output, and are not subject to the whims of international trade.

Another victim of the economic difficulties has been research. Israeli agricultural research has always been in the forefront and capitalized on its innovations, whether in irrigation, marketing, or products. Now, because of curtailment of funds, research has slowed. In addition, other countries have capitalized on Israel's progress and are producing similar products, such as ornamentals, flowers, and greenhouse products--at lower costs. With transportation a big factor and profit margins already small, Israel's profitability has deteriorated.

Free Trade Agreement in Effect

In August 1985, the United States and Israel concluded a free trade agreement which will eliminate all tariffs on trade between the two countries over the next decade. Israeli exporters are looking more closely at U.S. markets because of the agreement and because of the need to diversify from the EC, where demand for many Israeli commodities has been stagnant and Israel faces increased competition. While virtually all of Israel's exports depend on EC markets, the dependence is most pronounced in farm products, where the EC share is 75 percent.

On the U.S. import side, horticultural products comprise the bulk of U.S. agricultural imports from Israel, and they have increased from $16 million in 1981 to $44 million in 1985. The FTA should spur further increases, but a dramatic growth will not occur.

U.S. Agricultural Exports Decline

U.S. agricultural exports to Israel declined 17 percent to $277 million last year. Both prices and quantity declined. For

example, wheat volume declined 23 percent and value 29 percent; coarse grains volume fell 5 percent and value 19 percent. Although U.S. soybean exports rose 10 percent, soybean value declined 15 percent. Despite the FTA, U.S. prospects for increasing agricultural exports to Israel is limited by size of market, high transport costs, and current declining disposable income.

Outlook Improves Somewhat

While there are signs that the agricultural situation in Israel is improving, the upswing will be temporary. Returns on exports to Europe should improve, as the value of European currencies has increased, but in the longer run competition will intensify. As past debts are consolidated, the least efficient farmers are weeded out, and interest rates decline--for the first time in 6 years—agriculture's profitability will likely improve. But the wheat and cotton situations are unlikely to improve, and alternative crops will be hard to find. [*Michael E. Kurtzig (202) 786-1680*]

Jordan

Economy Stagnant

In 1985, Jordan's real GNP growth did not change much from 1984 and per capita was up only 0.5 percent, substantially below the 9-10 percent achieved from 1975-1981. The slowdown is mainly attributed to reduced external financial resources, which pushed the Government to cut or postpone all but the most essential development projects.

For example, Arab donor aid to Jordan dropped from a peak of $1.2 billion in 1980 to $600 million in 1984. Export earnings have been volatile, and tourism earnings declined steadily in 1985. Worker remittances have dropped from a peak of $2.2 billion in 1981 to $1 billion last year. Remittances of Jordanians working abroad made up 19 percent of the GNP in 1984. Since remittances are considered the driving force in the economy, and they were earlier much higher, Jordan was forced to expand its borrowing when remittances began to drop. Foreign borrowing grew from $1.2 billion at the end of 1980 to $2.4 billion at the end of 1984, equivalent to 50 percent of GNP.

In 1985, exports increased by about 20 percent to $900 million, while imports stabilized at $2.5 billion, which led to improvement in the balance of trade. In addition, Jordan signed agreements to waive or reduce trade tariffs with Egypt, Iraq, Syria, and Saudi Arabia.

Jordan's agricultural sector accounts for about 7 percent of GDP, produces 20 percent of total exports, and provides employment for about 10 percent of the labor force.

Crop Output Up Sharply

Jordan's agricultural production fluctuates widely because of its dependence on rainfall. For example, in 1984 the output of wheat--the principal grain--fell sevenfold from 1983, to 15,000 tons (East Bank only). But, in 1985 wheat output rebounded to 100,000 tons with improved weather. Domestic demand for wheat is increasing, and in 1984 imports of wheat and wheat flour, at $100 million, represented 21 percent of the total value of foodstuffs imported.

Barley production likewise increased in 1985, rising to 21,000 tons, more than five times the previous year's level. Barley imports decreased to only 130,000 tons. Because of high U.S. prices, U.S. barley exports to Jordan dropped from 50,000 tons in 1984 to nothing last year. Jordan's principal barley suppliers were the United Kingdom, Turkey, Australia, and France.

Livestock, Poultry, Egg Production Rise

While Jordan's livestock output improved in 1985, import demand for red meat and milk continues to grow. Local red meat production--mostly sheep and goats--covers only one-third of total consumption, and producers are dissatisfied with Government policy. Its pricing favors urban consumers and does not provide sufficient incentive for output expansion. The poultry sector continues to expand, with output at 40,000 tons annually, near self-sufficiency.

With egg output exceeding domestic requirements, Jordan exported to Iraq and Saudi Arabia in 1984. However, this became unprofitable in 1985 because world market prices were depressed. Jordan's growing interest in livestock production boosted its

demand for soybean meal. In 1985, imports increased to 55,000 tons, half of U.S. origin. In 1986, imports are forecast at 60,000 tons.

In December 1985, after 17 years, the Government abolished a longstanding retail price control system for locally produced fruits and vegetables. The purpose of these price controls was to assure low consumer prices. But the policy failed, as producers sold their good quality products on the black market for significantly higher prices, and consumers were unable to obtain good quality at the Government's suggested prices.

New 5-Year Development Plan Set

With a $10-billion total investment, a new 5-year development plan was started in 1986. It aims at annual growth of 6 percent. The plan emphasizes agriculture with more incentives, higher producer prices, and improving marketing facilities, especially for highly perishable farm products. Other priorities are the development of the service sector, energy, transportation, and mining. Phosphate and potash constitute Jordan's only national resource and comprise over 40 percent of total exports. The plan is probably too ambitious, as it is predicated on investment funds from Arab oil money and those funds have slowed significantly in recent months.

U.S. Agricultural Exports Plunge

Total U.S. exports to Jordan rose 26 percent last year to $337 million. But this was still only half the total of 1981. Agricultural exports dropped by half, to $48 million. Barley exports declined because of price competition. Wheat exports decreased from 382,000 tons to 185,000 and corn from 149,467 tons to 67,494 tons. While Jordanian rice imports increased from 20,000 to 30,000 tons in 1985, U.S. exports declined to one-tenth of 1984 shipments.

This year's U.S. agricultural exports are forecast slightly over $50 million, with increased wheat, corn, barley, rice, and soybean meal sales. Through the Export Enhancement Program (EEP), the U.S. share of Jordan's cereal imports could offset the subsidized EC competition. Under the GSM 102 program, CCC will guarantee rice sales worth $12 million in fiscal 1986. [*Fawzi Taha, (202) 786-1680*]

Kuwait

Petroleum Revenues Down, Investment Income Up

Lower petroleum revenues reduced Kuwait's 1985 export earnings 2 percent to $10.7 billion, half that of 1980. As OPEC tried to maintain oil prices, Kuwait kept its output at 1 million bpd, only a slight gain over 1984, and used its savings and investments to survive the petroleum price collapse. Foreign investment last year provided nearly $4 billion of Kuwait's GDP, estimated at $24 billion, and prevented a significant decline in GDP. Kuwait's investments in three petroleum refineries, and distribution through over 200 service stations in the EC, provided a marketing connections in the increasingly difficult petroleum market.

The recent decline in Kuwait's overall economy was triggered by three factors. First, reduced petroleum revenues and lower Government spending contributed to the departure of about 100,000 foreign workers. Second, the transit trade--which was very lucrative--has retrenched sharply as sales to Iraq and Saudi Arabia have dwindled. Once-numerous shoppers from Basra are now scarce, and the big spenders from Abadan have all but disappeared. Third, political pressure from Iran caused Kuwait to cease most services to Iraq, including unloading several million tons of cargo at the port of Shuiaba and preparation of wheat flour and animal feed. Iran's stopping of vessels destined for Kuwait, and searching for cargo for Iraq, seriously disrupted the use of Shuiaba, and caused many shippers to shift to Aqaba, Jordan, and Yanbu, Saudi Arabia.

Output of Livestock Products Up

In 1985, agribusiness firms utilized Government subsidies to a greater extent, to increase output of poultry meat, eggs, and milk. Local output provided about a third of the 65,000 tons of poultry meat consumed and half the eggs. Several commercial dairies provide a third of the milk needs of the country and local supplies are blended with imported milk.

Kuwaiti vegetable production was about 50,000 tons in 1985, including considerable greenhouse cultivation and 22,000 tons of tomatoes. Kuwaiti fruit and vegetable

imports increased in the last two years as Turkey and Jordan sought an alternative to outlets in Iraq, where marketing was hampered by austerity measures and a crash in the currency value. The rise in lower priced imports was a disincentive for domestic vegetable production, which had increased markedly during 1980-84, especially for Kuwaiti producers with small parcels and high unit costs of production.

Agricultural Imports Down

Kuwait's agricultural imports declined about 11 percent in 1985, to $1.3 billion, following an upward trend during 1973-84. The decline was triggered by fewer foreign workers, lower commodity prices, and the dwindling transit trade. As a result of increased processing capacity and improved infrastructure, Kuwait is now importing more raw materials and producing more processed foods locally. Still, local farms and fisheries provide only about 10 percent of Kuwait's food supply, compared with 5 percent a decade ago.

The major factor behind the upward trend in food imports through 1984 was the tremendous improvement in the average diet, rising from 2,500 calories in 1973 to an estimated 3,401. High-value farm products account for about 70 percent of Kuwait's agricultural imports, and a large share is sold to consumers who are not permanent residents. Kuwait is a growing importer of beef, dairy products, fresh fruit, and processed foods. But imports of some items--such as soft drinks, fruit juices and bakery products--have declined because of expanding local output.

Kuwait's agricultural imports are diverse in origin and commodity mix. The EC was the major supplier in 1983-85, with shipments of $200 million annually. U.S. agricultural exports to Kuwait declined 21 percent in 1985 to $41.5 million. The loss of the barley market to the EC, wheat to Australia, and rice to Asian suppliers caused the decline for U.S. cereals, although the loss was partly offset by gains for other commodities. In 1985, U.S. exports of corn to Kuwait doubled, reaching 44,825 tons, while exports of soybeans tripled and deliveries of apples quadrupled.

Growth Likely for U.S. Exports

A rebound in U.S. agricultural exports to Kuwait may occur in 1986 if the response to lower rice prices is good and further gains occur for corn, soybeans, and processed foods. Sales of a number of items to Kuwait are rising. These include vegetable oils, apples and pears, and some processed foods. Sales of U.S. corn oil were rising through 1984 because it was popular for cooking at the expanding fast food establishments, but a slight decline occurred in 1985. In recent years, competition from other suppliers has caused the U.S. share of Kuwait's food imports to decline. Despite some increases, the U.S. share is not likely to surpass 5 percent, compared with 3 percent in 1985. [*John B. Parker (202) 786-1680*]

Lebanon

Civil Strife Plagues Economy

Lebanon's economy still suffers from the devastating effects of the civil war, but to a lesser degree than in the last few years. Its GDP is estimated at 25 percent below 1975, when the civil strife began. While Lebanon's economic activities are intimately linked to political developments within the country as well as in neighboring ones, reconstruction has started. But rebuilding is still under financial and security constraints.

In 1985, Lebanon's budget rose by 6.5 percent in nominal terms but declined sharply in real terms. The Government's 1984 decision to pursue high rates of monetary growth while the country's real output was decreasing led to skyrocketing inflation. Inflation rose from 3.8 percent in 1983 to 25.3 in 1984 and 60.3 in 1985.

To raise revenues, the Government encouraged investment in treasury bills and securities, cut subsidies on essential items, and introduced new levies on port and airport travelers. The banking system, especially small banks, encountered serious liquidity problems last year, particularly pertaining to speculation in the Lebanese pound. Many banks were merged to prevent individual bank failures and serious threats to the system as a whole. Nonetheless, the Central Bank of Lebanon estimated that about $500 million in hard-currency loans were liquidated in 1985.

At the root of the banking system crisis and the depreciation of the Lebanese pound lies the Government's runaway expenditure, which is unsupported by revenue. Moreover, customs duties, which were forecast at $190 million, 35 percent of total revenue, were only $13 million during the first half of the year because of the general economic slowdown and the military control of the ports. Large freighters are not docking at Beirut, and instead unload their cargoes in Larnaca, Cyprus. The cargo is then shipped in small freighters and smuggled into Lebanon.

Agricultural Production Rises

For the past decade, data on Lebanon's agricultural sector has been unavailable. The following assessment is based on estimates and trade information from suppliers. In 1985, agricultural output was likely up 5–6 percent, primarily because of improved weather and abatement of civil strife. Wheat output rose slightly, and barley was up to 8,000 tons from 5,000 in 1984 still 18 percent below the 1975–80 average. Citrus production was estimated at 300,000 tons, up 6 percent from 1984. Two-thirds of the citrus is oranges and the rest is tangerines, lemons and grapefruits. Apple production amounted to 110,000 tons, up 3 percent from 1984, and grapes reached 140,000 tons, up slightly. Potato output rose 8 percent to 140,000 tons, but olive output fell by one-third to 40,000 tons.

Agricultural Imports Stable

Total agricultural imports in 1985 rose an estimated 7 percent. The commodity mix is very diversified and a shift to less expensive suppliers is underway. Total U.S. exports to Lebanon dropped from $285 million in 1984 to $139 million in 1985. Similarly, U.S. agricultural exports declined from $29 million to only $17.6 million, far below the EC's $220 million.

Grain imports remained at about half a million tons in 1985. Wheat imports were estimated at 360,000 tons, none from the United States; in 1984, 88,000 tons of U.S. wheat were imported. Intense competition from the EC, Canada, and Turkey were the main factors. Similarly, U.S. corn exports dropped from 26,971 tons to 17,792; Lebanon bought more corn from Argentina and the EC in 1985.

On the other hand, U.S. exports of soybeans last year more than tripled, to 26,000 tons, and tallow grew from 1,500 to 4,800. Wheat flour exports increased from 2,000 tons to 4,792. Last year's U.S. barley exports to Lebanon were minimal because of high U.S. prices and cheaper shipping costs from suppliers such as France and Turkey. Rice imports amounted to 27,000 tons, mostly from the EC and Thailand.

Despite the drop in U.S. purchases last year, Lebanon will continue to import a wide range of U.S. products, albeit at reduced levels. If medium- or long-term credits are offered under GSM-102 or credit instruments, though, U.S. exports could do better than expected. [*Fawzi Taha (202) 786-1680*]

Saudi Arabia

Economy Under Adjustment

The Saudi economy is undergoing major structural adjustments. Four consecutive years of declining petroleum revenues are resulting in reduced public spending, subsidy reviews, and severe problems for the private business sector. As oil revenue has dropped sharply, however, drawdown of foreign investment income has staved off a significant decline in imports. The difference between the 1981 and 1985 total import levels was only $5 billion, compared with the $80-billion fall of exports. Lower oil revenues resulted in a GDP decline of 10 percent, to $99 billion, with a 41-percent drop in construction but gains in banking and agriculture (see box article for more detail).

The enormous infrastructure projects of the 1970's have virtually been completed, and the Kingdom now has some of the world's best roads, airports, and harbors. Reduction in expenditure for civilian construction and military projects has lowered demand for foreign workers. The exodus of foreign workers may be over, but the shift to lower-paid workers continues.

The lower petroleum revenue trend will continue in 1986 as world oil prices decline. However, continued use of investment income to diversify development and temper the private sector slowdown is expected. Efforts are being made to diversify investments and

reduce dependence on petroleum exports. Greater output of petrochemicals and consumer goods, and agricultural diversification, is now occurring.

Government expenditures again exceeded combined petroleum revenues and interest income in 1985, resulting in an $18 billion budget deficit met by a reduction in foreign investment (which still exceeds $90 billion). A major shift in policy occurred as Saudi Arabia abandoned its traditional role as OPEC's swing producer after petroleum output dropped to 2.2 million bpd during the summer of 1985. Output was increased in late 1985 to about 4.5 million bpd. U.S. imports of Saudi crude petroleum declined from $14 billion in 1981 to $1.4 billion in 1985.

Output Growth Diminishes

Saudi agricultural production increased 21 percent last year, compared with 31 percent in 1984. Wheat output rose 52 percent to a peak of 2 million tons, despite a reduction in the Government procurement price from $1,000 per ton in 1984 to $570. The fixed costs of irrigated land and machinery are already absorbed, so farmers still make profits even at the reduced price. Another hurdle was the inordinate time it took the General Grain Silos Organization to pay producers. The delay was apparently a ploy to discourage further expansion before 1988, when the procurement price can legally be reduced further.

Vegetable output has increased rapidly in response to subsidized inputs, improved marketing, and a search for alternatives to wheat on newly irrigated land. Subsidies for feed and facilities contributed to a striking rise in poultry meat output, from 137,000 tons in 1983 to an estimated 220,000 in 1985. Egg production doubled in 3 years, reaching 150,000 tons last year. New dairies helped raise milk production to 353,000 tons.

Grain Imports Retreat

Saudi agricultural imports in 1985 declined about 8 percent from $5.35 billion in 1984. Grain imports fell 25 percent from a record 7.7 million tons. The U.S. share was about 7 percent in 1985, compared with 19 percent a decade earlier. U.S. exports declined 27 percent to $351 million, because of lower wheat and flour sales and greater competition from Thai rice. EC agricultural exports to Saudi Arabia climbed from $260 million in 1976 to $1.4 billion annually in 1984 and 1985. Saudi wheat and flour imports in 1985 were only a fourth of the 481,000 tons imported in 1984, with lower purchases from the United States, Australia, and the EC. U.S. exports of wheat declined 63 percent to 47,739 tons of certified seed. Saudi imports of wheat and flour averaged 1 million tons during 1980-82, but the bumper 1985 harvest left a surplus of about 500,000 tons, and the General Grain Silos Organization halted imports of

Saudi Arabia's agricultural imports by quantity and value, 1984 and 1985

Commodity	1984	1985	1984	1985 1/
	1,000 tons		$ Million	
Wheat	191	65	58	19
Wheat flour	219	36	66	10
Wheat equivalent 2/	495	115	124	29
Rice	505	500	308	260
Barley	5,876	4,477	1,082	785
Corn	520	680	102	127
Sorghum	196	198	40	39
Bakery products	81	78	134	127
Other cereal products	47	43	15	14
Total cereals and products	7,720	6,494	1,805	1,471
Poultry meat	156	118	168	127
Beef	54	68	114	140
Mutton	33	39	67	77
Canned meat	15	16	32	31
Milk (preserved)	134	141	211	220
Milk (fresh)	24	6	21	8
Butter	24	23	57	55
Cheese	44	45	99	97
Apples	125	133	67	66
Grapes	37	36	26	25
Bananas	126	124	61	59
Oranges	222	218	77	76
Peaches	24	23	11	12
Lemons	47	49	18	19
Canned fruit	39	42	45	41
Nuts and preparations	12	12	57	60
Fruit juices	225	178	180	140
Fresh vegetables	545	512	152	127
Canned vegetables	180	167	170	144
Pulses	39	41	18	21
Sugar	541	580	124	132
Tea	21	23	97	109
Coffee	25	26	85	86
Nonalcoholic beverages	130	64	53	27
Spices	22	21	146	137
Tobacco products	38	39	349	373
Soybean meal	170	185	65	64
Vegetable oils	195	197	190	182
Live sheep & goats (nos)	6,490	6,370	473	464
Live cattle (nos)	63	52	45	43
Other	NA	NA	261	345
Total	NA	NA	5,357	4,900

NA = Not applicable.
1/ Preliminary estimates. 2/ Wheat flour multiplied by 1.39 equals wheat equivalent.

SOURCES: Foreign Trade Statistics of Saudi Arabia 1980-84 and ERS estimates for 1985.

wheat flour. U.S. exports of wheat flour fell from 117,261 tons in 1984 to only 2,249 in 1985.

Competition for Rice Intensifies

Saudi rice imports remained at 501,000 tons in 1985. Thai rice shipments increased a third to about 135,000 tons. U.S. sales declined 27 percent to only 194,504 tons valued at $101 million. Prices for Thai parboiled rice were about $200 per ton less than U.S. prices and the quality difference was marginal because of Thai quality improvements. Australia, Pakistan, and India were also significant suppliers.

U.S. rice prices began declining last year. Although the drop did not make U.S. prices really competitive, a sharp decline in U.S. parboiled rice prices after April 1985 should trigger a rebound in sales, especially with greater market development activities.

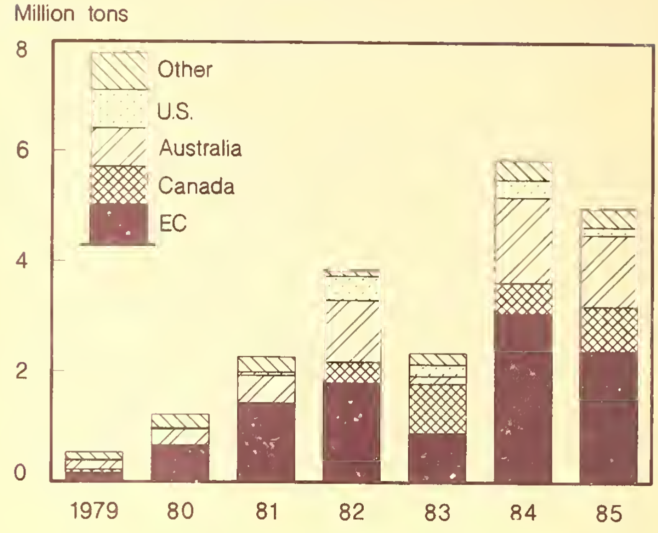
Feed Grain Imports Down

Saudi imports of feed grains declined 10 percent in 1985 from the record 6.7 million tons in 1984, because of smaller deliveries of EC barley. Barley imports were about a fifth lower. U.S. barley deliveries declined from 444,000 tons in 1982 to only a tenth that amount in 1985, because the transit trade through Belgium and Singapore ended as modern bagging facilities opened in Saudi ports, and also because there was intense competition from the EC, Canada, and Australia.

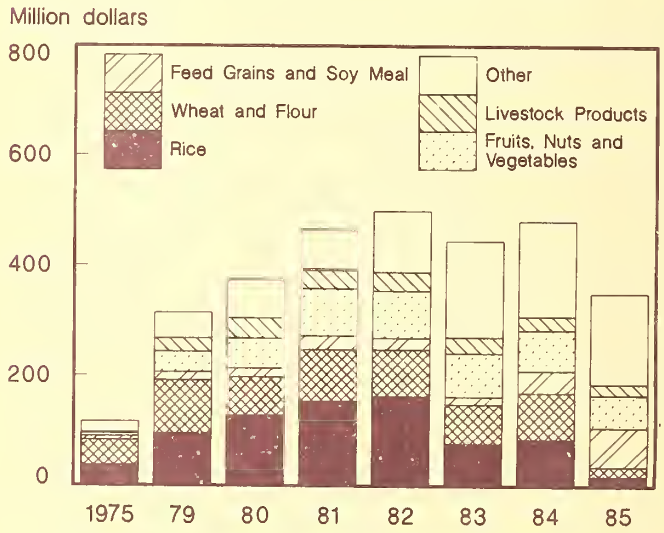
U.S. corn exports to Saudi Arabia increased 152 percent in 1985 to 362,264 tons worth $48 million. Thailand also made gains. Total Saudi imports rose to over 600,000 tons, double the average of the late 1970's. Thailand sent 191,000 tons of sorghum in 1984 and a similar amount in 1985.

U.S. exports of soybean meal rose a third to 97,854 tons last year, but the average price declined 26 percent, so the value of $18.8 million showed little change from 1984. Saudi Arabia received 11,255 tons of U.S. soybeans in 1984, but none in 1985. Larger sales may occur this year, as new crushing facilities have a capacity in excess of 100,000 tons annually. Also, demand for edible soybeans is rising with the expansion of processing facilities.

Saudi Arabia's Barley Imports by Supplier



U.S. Agricultural Exports to Saudi Arabia



Many U.S. agricultural exports to Saudi Arabia consist of products used as raw materials for new food processing facilities, bakeries, and fast food outlets. Saudi Arabia may save $500 million in beverage imports in 1986 because of the rapid expansion in local output, mostly prepared from imported ingredients. Saudi imports of soft drinks declined from $170 million annually during the late 1970's to a fifth that value in 1985. Three modern bottling plants now prepare a wide variety of soft drinks.

Policy Under Review

Further reductions in the wheat procurement price, from $570 to possibly

$400, may occur by 1988, when a price review is scheduled. Price supports for commodities other than wheat are provided by the Ministry of Agriculture and Water and are relatively low. The procurement price of $85.50 per ton of barley is considered too low an incentive to shift 100,000 hectares of wheat to barley, although such a move would eliminate the wheat surplus and make a small dent in the massive barley imports. The 50-percent feed subsidy and auxiliary subsidies for feedlot operators are under review as part of the effort to reduce the budget deficit.

Saudi subsidies have contributed to excess production of wheat, eggs, melons, and dates. Creation of a customs union with free trade among the six countries of the Gulf Cooperation Council will boost Saudi exports of these items to the Gulf sheikdoms. Saudi agricultural exports may reach $200 million in 1986, double the 1982-84 average.

The 1986 wheat harvest is likely to be down slightly, as farmers reduce area in response to the payment delay controversy. Greater output from greenhouses should push vegetable production near 2 million tons. Agricultural imports may decline slightly as the shift occurs from imported high-value products to ingredients for further processing. U.S. agricultural exports should rebound because the decline in wheat sales has already occurred and items used by industry or the feed complex are in demand. [*John B. Parker (202) 786-1680*]

Syria

Economy Falters

Syria's economy is under severe stress. Two decades of socialist-oriented economic policy have stifled Syria's traditionally dynamic business class and driven private capital out of the country. The industrial sector, largely nationalized, is inefficient and uncompetitive. Agricultural production, still largely in private hands, has been depressed by pervasive Government marketing and price controls. The artificially high exchange rate maintained by the Government for the Syrian pound has priced most Syrian products, except for oil and cotton products, out of the world market. Syria's Government continues to pursue an austerity policy because of foreign exchange shortages. Government revenues suffered a major decline as a result of lower export earnings (especially for cotton) a cut in Arab states' "support funds," and a decrease of foreign grant aid, foreign lending, and worker remittances. External debts were estimated at $4.2 billion in 1983, with well over 90 percent owed to foreign official creditors.

In recent months, more and more public sector enterprises, unable to obtain foreign exchange through Government channels, have been forced to join the private sector in purchasing it through the black market. The Government, unable to back the Syrian pound financially, cracked down heavily on the black market in January and closed the doors to what had been open smuggling from Lebanon. As a result, a large range of goods has begun to disappear from the internal market and prices have risen sharply. In 1983, the black market value of goods was estimated at $1 billion, half as large as recorded Syrian exports and one quarter of recorded Syrian imports. Smuggling has also become a major element in Syria's foreign trade.

Agricultural Production Improves

Syria's 1985 agricultural output rose by 10 percent from the drought-reduced performance of 1984. Wheat output, 1.7 million tons, was 60 percent above 1984, despite the fact that wheat and barley suffered from a rain shortage in March 1985 and a frost the next month. The outlook for the 1986 wheat crop is fair, as rainfall up to the end of December has been inadequate. If poor rains persist, production may not exceed 1.4 million tons. With consumption at 2.5 million, imports are forecast at 1 million tons.

Barley output of 740,000 tons in 1985 was still far below the 1 million-ton average for the last 5 years. Imports in 1985 were 200,000 tons, down 40 percent from 1984. Estimates of the 1986 crop are 700,000 tons; with consumption estimated at 900,000, 200,000 tons will have to be imported. Spain was the major supplier in 1985.

Corn output in 1985 was the same as 1984's 60,000 tons; it is mostly fed to poultry, although local production is not significant in the feed equation. In 1985, 300,000 tons were imported, slightly more than half of U.S. origin. Total consumption for 1986 is estimated at 325,000 tons.

The 1985 seed cotton harvest was 462,000 tons, 3 percent above 1984. Lint output was 180,000 tons. Because Syria experienced a sharp drop in its cotton export earnings during the 1985/86 season, there are no plans to increase the area for 1986/87. Leading buyers in 1985 were the Soviet Union, Algeria, and Italy.

Olive and cottonseed are Syria's principal vegetable oils. Olive oil is preferred and the more expensive. In 1984, a fungus infested olive trees, and output dropped from 340,000 tons to 200,000 in 1985, with consequent higher prices. To counter price increases, the Government is selling olive seedlings at subsidized prices to increase the tree stock. Syria is self-sufficient in cottonseed cake and produced an estimated 122,000 tons in 1985. Meal demand is increasing and imports in 1985 were 102,000 tons, most from the United States. There are plans to increase the country's cottonseed milling capacity through modernizing plants in Aleppo and Hama, and building a mill in Deir Elzour.

More Beef Likely

Production and consumption of beef is forecast to increase in 1986 and afterwards, as consumers shift from higher priced lamb and mutton. Cattle are imported from Turkey and Eastern Europe for fattening to supply local markets with meat. Last year's chicken meat output was estimated at 81,000 tons, the same as 1984. Syria is self-sufficient in poultry meat and eggs. The private sector produces 91 percent of the country's output. In 1984, a shortage of feed imports caused serious disruptions. As a result, wheat, barley, and wheat flour replaced corn in the feed mix, and this increased the cost of production.

New Economic Policies Move To Greater Market Orientation

While agricultural production is mostly in private hands, the Syrian Government has a monopoly over most commodity collection, processing, and distribution. In 1985, the Government raised procurement prices for many crops: hard wheat by 9 percent, soft wheat by 14, barley by 22, red lentils by 13, and white lentils by 18 percent.

Consumer subsidies are projected to remain at the current value of $350 million (LS3.9=$1), as in the 1984 budget, implying a reduction of more than 15 percent in real terms. This is an indication that Government policy is moving towards a more market-oriented economy. The freeing of exchange rates, will necessitate adjustments across the entire price control and subsidy regime.

U.S. Exports Rise

U.S. agricultural exports to Syria increased 18 percent in 1985 to $45 million. While wheat exports--at 53,000 tons--were down 27 percent from 1984, deliveries of oilcake and meal were 84,589 tons worth $14 million. The other major wheat suppliers included France, Canada, Argentina and Hungary. Syria continues to seek credit to finance wheat imports, and has available U.S. credit for 700,000 tons of wheat under the EEP and 300,000 tons of French soft wheat. Corn exports decreased slightly from 167,000 tons, but the unit value was down 24 percent. [*Fawzi Taha (202) 786-1680*]

Turkey

Lower Oil Prices Mixed Blessing

Turkey is the major agricultural producer and exporter in the Middle East. It is also a major importer of petroleum and as such will clearly benefit from present oil marketing conditions. The country is dependent on imports for more than 85 percent of its oil consumption. The oil import bill, nearly $3.5 billion, is a heavy burden on the balance of payments. On the other hand, since most of Turkey's oil is exchanged for goods--in modified barter arrangements--the gain represented by cheaper oil is sure to be offset at least partly by export losses.

In 1985, Turkey's agricultural sector grew by an estimated 2.3 percent, versus 4.7 the previous year. Use of improved seeds, expanded irrigation, and double cropping in some areas more than offset the effect of a drought. Still, output of wheat, barley, cotton, tobacco, sugar, pulses, hazelnuts, milk, and olives declined, while that of corn, potatoes, peanuts, sunflower, and vegetables increased.

The Government is giving special consideration to the improvement of land and water resources while also encouraging seed breeding. Continued trade liberalization has made imports of many farm products possible. Although the relative importance of Turkey's agriculture in the economy is declining (21.7 percent in 1985), the sector still employs more than half of the labor force and constitutes nearly 22 percent of total export earnings. That figure would be double if agriculturally based products were included.

The 1985 GNP showed a real growth rate of 4.9 percent, compared with 5.9 in 1984. Exports continued to expand, but at a much slower rate than in 1984. They were estimated at $8 billion. A shift in export composition shows the Government's policy of decreasing primary commodity exports and increasing the value-added portion.

Softer prices and, in some cases, less demand for Turkey's major agricultural exports lowered the total value from $2 billion in 1984 to $1.8 billion in 1985. The Middle East and the EC continued to be the principal markets and livestock, tobacco, grains, filberts, and raisins the major commodities. The United States accounted for about 10 percent of Turkey's agricultural exports, mostly tobacco. In spite of further trade liberalization, imports grew more slowly than exports, totaling $11.3 billion, up 6.5 percent from 1984. Agriculture's share declined from 7 percent of the total to 5.

Inflation remains Turkey's most serious problem, and wholesale prices increased by 42.3 percent last year. High unemployment continues, exacerbated by the economic slowdown in Europe where many Turks are employed. Until recently, the impact has been offset by other work available in the Middle East. But, with substantially lower oil revenues both remittances and worker numbers are likely to decline, putting a further burden on Turkey's economy. With an annual population increase of 2.1 percent, as many as 450,000 new workers enter the labor force annually. Only 10 percent of these find employment. Effective unemployment is now estimated at over 20 percent.

The Government economic forecasts for 1986 show a 5-percent GNP growth with agriculture targeted at 3 percent. Exports are expected to grow 9 percent to $8.7 billion, with imports rising 5 percent to $12.1 billion. The Government forecasts inflation at 25 percent with a continued tight monetary policy. Achievement of these goals, however, is predicated on increases in both agricultural and industrial output. And while prospects for agriculture are to date favorable, the lack of new industrial investment will likely prevent any substantial growth in industrial production.

Wheat Production Down, Imports Continue

Agriculture was hurt by drought in 1985. Except for corn, grain output was reduced. While inputs were readily available, their prices increased much faster than those of commodities. Wheat production, at 12.7 million tons, was 5 percent below 1984's mediocre showing. The short crop necessitated 1 million tons of imports. In 1985/86, wheat imports from the United States totaled 500,000 tons, as EEP and GSM-102 credit essentially made the market. The rest of the wheat was imported from the EC and Argentina. The diversification of suppliers points to the increasing Turkish awareness of and response to price differentials.

Last year's corn output rose 20 percent with the use of hybrid seeds. Despite this increase, 200,000 tons are being imported in 1985/86 for the expanding poultry sector. Following an excellent barley crop in 1984, the 1985 harvest declined by 3 percent. Most of the 5.8 million tons produced was fed.

Livestock Sector Expands

The Turkish livestock situation is difficult to monitor, as data are poor. A new sample census expected soon should improve the count. Generally, domestic output of meat, bovine hides, and skins has increased slightly during the past few years. But tallow output has stagnated, and imports of 20,000-30,000 tons are a result, all from the United States. In 1984, total livestock exports were $400 million, a year later, $340 million. Saudi Arabia continues to be the major market, taking 1.5 million head of sheep in 1983 and 1984. Iran has been an important market for beef and mutton.

Data on poultry meat output in Turkey are poor. The average per capita consumption is believed to be 3 kilos, and total output, with some exports, is around 100–150,000 tons. The commercial sector is believed to produce 70–80 million birds per year weighing about 1.2–1.3 kilos per bird, thus totalling about 100,000 tons per year. As poultry meat output has increased, so has egg production. Exports were estimated at 1 billion eggs in 1985, approximately 20 percent of output, mostly to Iran and Iraq.

Cotton Output Shrinks, Oilseed Output Expands

Turkey's cotton output for 1985 is estimated at 518,000 tons, a 11-percent decline from the previous year. Farmers, dissatisfied with prices, are expected to reduce acreage further in 1986. For the first time, the Government announced support prices before planting, and the seed cotton prices for 1986 represent an increase of 23 percent. While the increase is commensurate with other crops, a 40-percent inflation rate and rising fuel, fertilizer, and pesticide prices are forcing cotton farmers to switch to less costly field crops, wheat in particular.

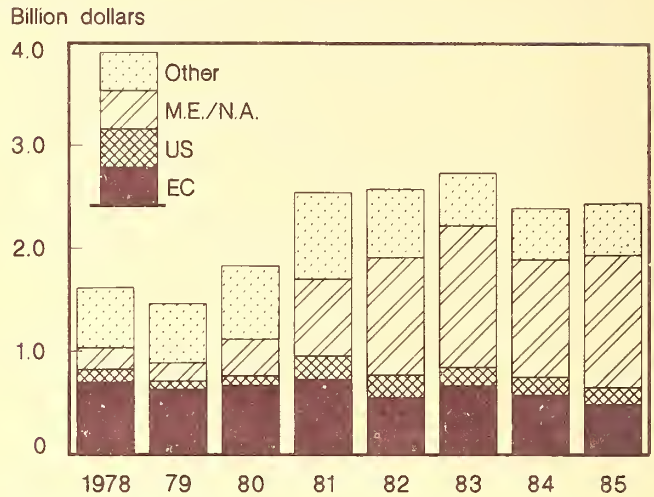
Oilseed output continues to expand, with soybeans rising from 3,000 tons in 1980 to an estimated 100,000 in 1985. Despite this, consumption continues to surpass production and both soybeans and vegetable oil imports continue. Sunflowerseed output has also been expanding with favorable price supports. Still, oil imports are forecast at 160,000 tons, with three-fourths soy. In 1985, 10,000 tons of U.S. sunflower oil were exported to Turkey.

More Efficient Land Use Encouraged

The Government continues to give special attention to the improvement of land and water resources and to expanding irrigation. As a result, about two-thirds of total public investment appropriated for agriculture is slated for land and water improvement. Recent data show that the total irrigated land is about 3.3 million hectares, about 40 percent of land suitable for irrigation. The Government has also encouraged use of improved high-yielding seed varieties.

Since 1984, Turkey has greatly liberalized and simplified its trade policies and

Turkey's Agricultural Export Markets



Includes processed food items.

regulations in line with its overall market-oriented approach. In agriculture, import liberalization has mostly entailed removing import bans and reducing duties on bulk commodities, moves primarily intended to control inflation and support the export of value-added products. Tariffs were cut primarily on items used for further processing and on products in which Turkey is not self-sufficient. Corn, rice, soybeans, tallow, cotton, and edible oils were exempted from duty, and the tariff on meat was reduced from 70 to 1 percent.

U.S. Exports Lower, But EEP Effective

GSM-102 credit and the EEP continue to boost U.S. exports to Turkey. In 1984, exports were $286 million, an eightfold increase over 1983. In 1985, U.S. exports declined to $63 million. Turkey continued to diversify its suppliers, buying wheat from Argentina and the EC. Also, some major purchasing decisions were postponed until the results of the 1985 crops became clear. For 1986, wheat purchases from the United States are at the half-million-ton level, half of total wheat imports. Turkey is likely to continue to import at that level, and with favorable credit arrangements, the United States should continue to have a major share.

Prospects for 1986 Promising

Although farmers continue to express dissatisfaction with the Government's agricultural support and pricing policy,

prospects for 1986 are very promising. Weather continued favorable with steady rain and snowfall throughout the country during the winter months. However, even with better crops, Turkey will keep importing wheat and possibly coarse grains to meet increasing domestic consumption and export commitments. Lower oil revenues in Turkey's major markets will undoubtedly have some negative effect on Turkey's export outlook and worker remittances. On the other hand, lower oil prices will certainly reduce Turkey's very large import bill and perhaps bring trade more into balance. [*Michael E. Kurtzig (202) 786-1680*]

United Arab Emirates

Petroleum Price Decline Upsets Economy

In 1985, petroleum output increased to about 1.2 million bpd, a third above 1984. Greater volume offset the price decline and exports were virtually constant at $14 billion, making the United Arab Emirates (UAE) the only Mideast OPEC country not recording a decline for 1985 exports. The drastic drop in petroleum prices in early 1986 will cause a sharp setback in UAE petroleum revenues and create a greater reliance upon savings, international investments, and building the local economy.

Concern about a forthcoming decline in petroleum revenues caused the UAE to reduce loans to Iraq and grants to developing countries last year. However, UAE banks still have large savings and problems in finding creditworthy investments. This has spurred interest in foreign investments, which provided $3 billion in 1985 income. Government expenditures for new petroleum refineries, airports, roads, and other public projects are scheduled to rise, and may fill some of the slack left by the loss of the transit trade with Iran.

In 1985, the UAE had the world's highest per capita income, estimated at $22,000, but this may not be true in 1986. During 1983-85, total GDP averaged $28 billion annually, down from $32.5 billion in 1981. UAE's population remained at 1.2 million, with higher native births offsetting the decline in the number of foreign workers.

Agricultural Production Up

The UAE strives to use subsidies and high technology to develop a modern agriculture similar to that of Saudi Arabia. As a result, the 1985 output of vegetables rose 20 percent to nearly 200,000 tons, about half of it tomatoes. Rising output of cucumbers, green peppers, lettuce and sugar peas resulted from increased use of subsidies for the construction of 1,000 greenhouses. A new cannery with a 37,000-ton capacity is scheduled in order to encourage tomato output.

In 1985, fruit production exceeded 100,000 tons, including 55,000 tons of dates and 40,000 of citrus. New packing facilities now operating in Ras al Khaimah stuff pitted dates with almonds, for duty-free exports to the other five Gulf Cooperation Council countries. New ports and improved roads allow farmers near Fujarah to market their oranges and limes more easily.

Poultry meat output has increased markedly in recent years, reaching 23,000 tons in 1985. Egg production was estimated at 16,000, double the 1982-84 average. New dairies produced about 20,000 tons of milk, which was blended with imported preserved milk to make reconstituted milk. The local fish catch of 70,000 tons supplemented rising consumption and reduced import dependency to 75 percent from 90 percent in 1980.

Food Imports Down

In 1985, the UAE's agricultural imports declined to about $1.2 billion because of lower prices, increased local output, and a decline in the transit trade. EC shipments dropped 5 percent to $240 million. EC beef exports reached 5,000 tons in 1985, double the 1982 level, while poultry meat deliveries remained over 32,000 tons annually during 1983-85. EC exports of dairy products exceed $50 million annually, including 32,000 tons of dry milk, 2,500 of butter, and 3,000 tons of cheese. The concentration of high-value products appears to guarantee a steady market for the EC.

Australian agricultural exports to the UAE have shown an upward trend, and rising wheat deliveries pushed the value in 1985 beyond $85 million, double that of 1979. Australian wheat exports rose 17 percent to

201,000 tons, while mutton and lamb shipments rose 13 percent to 16,000 tons. Intense EC competition caused Australian and New Zealand dairy product sales to remain a third below 1981. EC competition caused New Zealand's agricultural exports to the UAE to fall from $16 million in 1982 to an average $12 million during 1983-85.

U.S. agricultural exports to the UAE in 1985 increased 9 percent to $43.6 million, because of a 80-percent hike in feed grain exports and a rebound for rice, fruit juices, nuts, vegetables, and cooking oil. U.S. exports of apples were down 30 percent to 11,000 tons because of greater competition from the EC, Turkey, and Southern Hemisphere suppliers. Turkey's agricultural exports to the UAE increased markedly in the early 1980's and averaged $17 million in 1983-85, including $3 million annually for pulses.

Outlook for U.S. Exports Brightens

U.S. agricultural exports to the UAE should rise to $50 million in 1986, an expected response to lower rice prices. Also, a decline in the value of the dollar should make U.S. fruits and processed foods more competitive. The response should be considerable, since private traders handle most of the imports and are without foreign exchange problems. Further development in local food processing facilities should result in an expansion for U.S. almonds, flavorings, peanuts, fruit juice concentrates, and vegetable oils. Also, demand for farm machinery, irrigation equipment and agricultural technicians is rising. [*John B. Parker (202) 786-1680*]

Yemen Arab Republic

Economic Situation Worsens

In 1985, lower worker remittances and foreign aid had widespread repercussions for the Yemen Arab Republic's (YAR) economy. GDP increased by only 1 percent, compared with 2 percent the previous year. The foreign exchange shortage caused restrictions on imports of all major items except foodstuffs, petroleum, and agricultural and industrial inputs.

This year's GDP growth is forecast at 2 percent again, as the multiplier effect of $1 billion invested in developing the petroleum sectors shows up. These investments include the construction of a 225-mile pipeline to the Red Sea, storage and port facilities, and a refinery that will ultimately put out 8,000 bpd and is scheduled to reach one-third capacity this year.

The expected economic growth has encouraged new investment laws—incentives toward inward capital transfers. Guarantees have been enacted for freedom of investment and equal treatment of foreigners and local investors, and free repatriation of currency.

In 1985, the inflation rate increased sharply to 20 percent, from 12.8 in 1984. The growth is attributed to the fast expansion of the money supply since 1983 and to reduced availability of imported goods. The balance-of-payments deficits will probably continue for the next 2 years until oil exports reach the projected 100,000 bpd.

Inflow of Remittances Plunges

Remittances from Yemenis working abroad, particularly in the Gulf oil countries, have been the YAR's largest source of foreign exchange for several years. In 1984, worker remittances declined by 10 percent to $994 million. This trend continued in 1985, with remittances decreasing another estimated 15 percent. As employment opportunities in neighboring oil countries diminish, remittances will likely keep on slipping.

The Yemeni rial, which was pegged to the U.S. dollar at a rate of YR 4.5=$1 from 1974 to 1984, has depreciated in the last 2 years to YR 8.58 as of March 1986. In an effort to control the volume of imports, which are several hundred times larger than exports, the rial continues to be devalued.

Agricultural Production Recovers Slightly

Agriculture is the leading economic sector, employing 65 percent of the resident labor force and contributing about one-third of the GDP. The 1985 grain output was improved over 1984, but because of the late rainfall in 1985, grain did not reach the 1980-82 average of 800,000 tons. However, the output was much higher than 1983 and 1984 crops, which were devastated by droughts. Currently, about 45 percent of the

grain consumed is imported. Wheat and rice are the major imported food grains, with wheat by far the largest. Wheat imports are forecast at 600,000 tons and rice at 40,000 tons in 1986.

U.S. Trade Drops

U.S. agricultural exports to the YAR declined to $14.8 million last year from $35.9 million in 1984. This included 29,771 tons of wheat, down from 105,000 in 1984; 21,189 tons of milled rice, down from 38,119; and 10,570 tons of corn, down from 14,404. Tough competition from Australia and the high value of the dollar discouraged U.S. exports. This year, the YAR has already concluded an agreement with Australia for 400,000 tons of wheat. Under the EEP, the United States has exported 31,500 tons of wheat flour, and coverage is available for up to 100,000 tons of wheat. However, no sales have been made as of the end of March. [*Fawzi Taha (202) 786-1680*]

Three Countries of the Arabian Peninsula

New Projects to Reduce Impact of Petroleum Price Decline

Economic diversification and greater income from foreign investments should help Bahrain, Oman, and Qatar cushion the impact of sharply lower oil prices. All these depend on petroleum and products for over 80 percent of their exports, and have for some time been working to reduce that dependency.

As a result, Bahrain expects to increase income from services and strives to keep its importance as an international center for offshore banks, with deposits of over $60 billion. Oman is making greater use of its strategic location, with construction of new ports, pipelines, and transportation facilities for use by other Gulf Cooperation Council (GCC) members. Qatar, one of the four wealthiest OPEC members per capita, plans to use savings and investment income to launch new petrochemical, fertilizer, and gas liquification projects to prevent economic recession.

The Gulf Cooperation Council was formed in May 1981 with six members--Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, and Oman--to create a new common market for greater trade among themselves and for military coordination. The latter three nations are concerned that agreements under this council will result in more imports of products from Saudi Arabian farms and factories, because the Saudis have a tremendous economy-of-scale advantage. Duty-free entry of Saudi products into the smaller markets may also be encouraged by generous Saudi subsidies for wholesalers. Agricultural development is proceeding well in Qatar and Oman, but Bahrain's small area and emphasis on urban development have limited agriculture's role.

Bahrain is an important banking center, although deposits declined about 15 percent in 1985 as Saudi and European investors sought higher returns in London and North America. As a regional banking center, Bahrain is influenced by economic problems of other GCC countries. Collapse of the transit trade in Kuwait and Dubai because of difficulty in selling to Iran and Iraq reduced the inflow of deposits and loan demand. Declining petroleum revenues caused cancellation of projects and idled a million foreign workers in Gulf countries. But expansion of Bahrain's aluminum exports helped offset declining petroleum sales and the country's exports remained near $3 billion last year.

Oman's petroleum exports declined slightly to $3.7 billion in 1985, from $4.4 billion in 1983. Lower prices will reduce the value in 1986. Oman is expanding fishing and agriculture, which are larger employers than petroleum and construction.

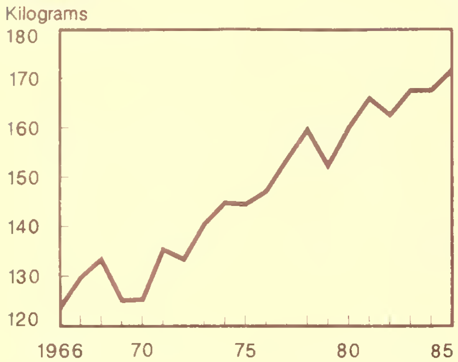
Qatar has over $6 billion in foreign investments and huge petroleum and natural gas reserves. Its oil exports declined from $5.7 billion in 1980 to $3.3 billion in 1985, and may fall by another 50 percent in 1986. Petrochemical projects, fertilizer factories, and economic diversification with more factories for consumer products should prevent a severe setback for employment in 1986. Qatar has become a major fertilizer exporter, selling 90 percent of its output on credit.

Agricultural Output Up

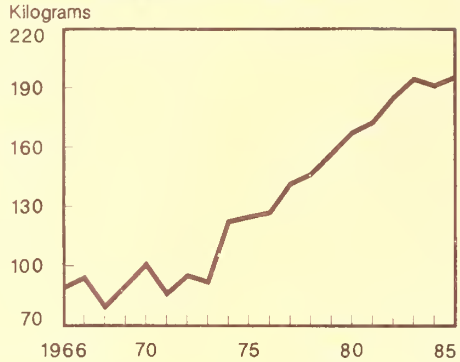
Oman's agriculture consists of many small traditional farmers in coastal areas. In 1985,

Per Capita Grain Consumption, by Grain and by Country

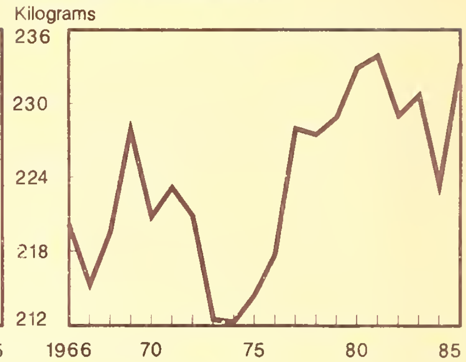
Wheat



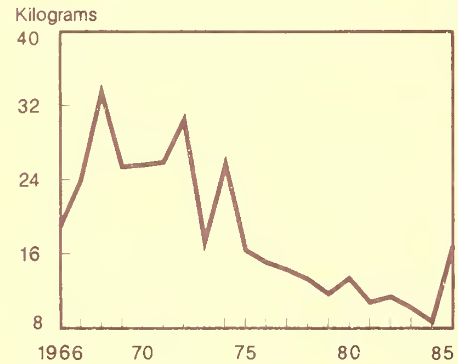
Saudi Arabia, All Grains



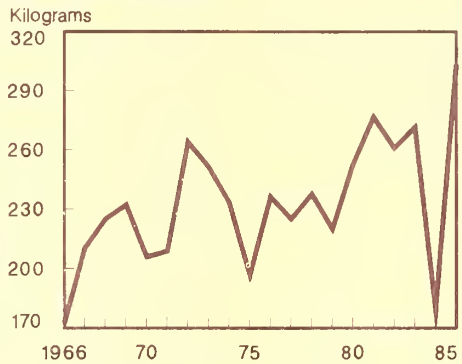
Turkey, All Grains



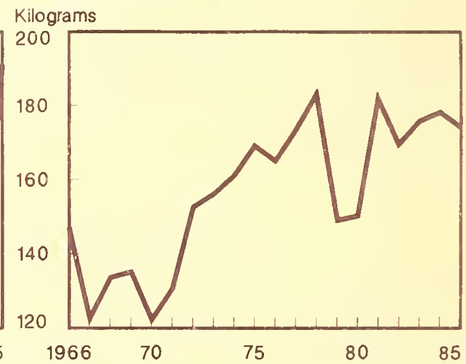
Barley



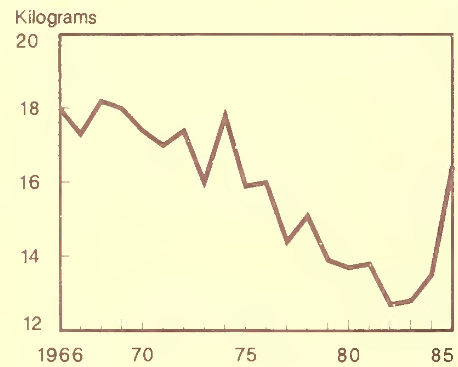
Iraq, All Grains



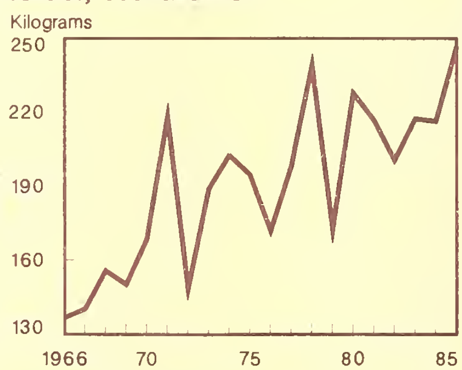
Iran, All Grains



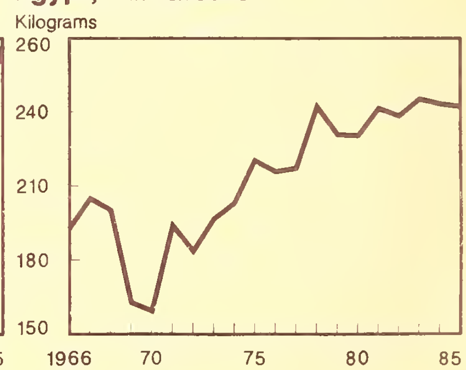
Corn



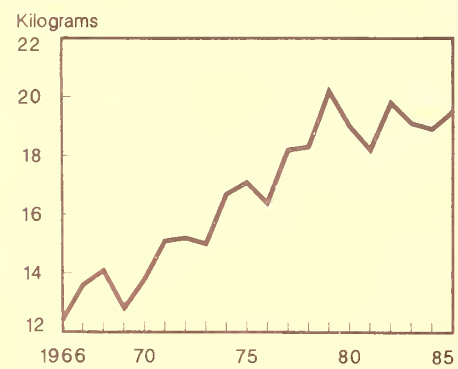
Israel, All Grains



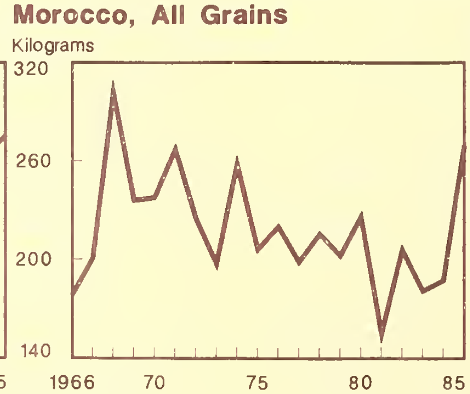
Egypt, All Grains



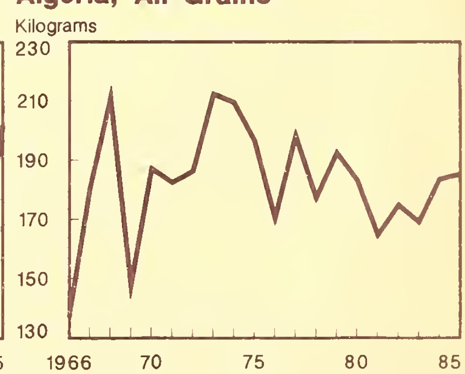
Rice



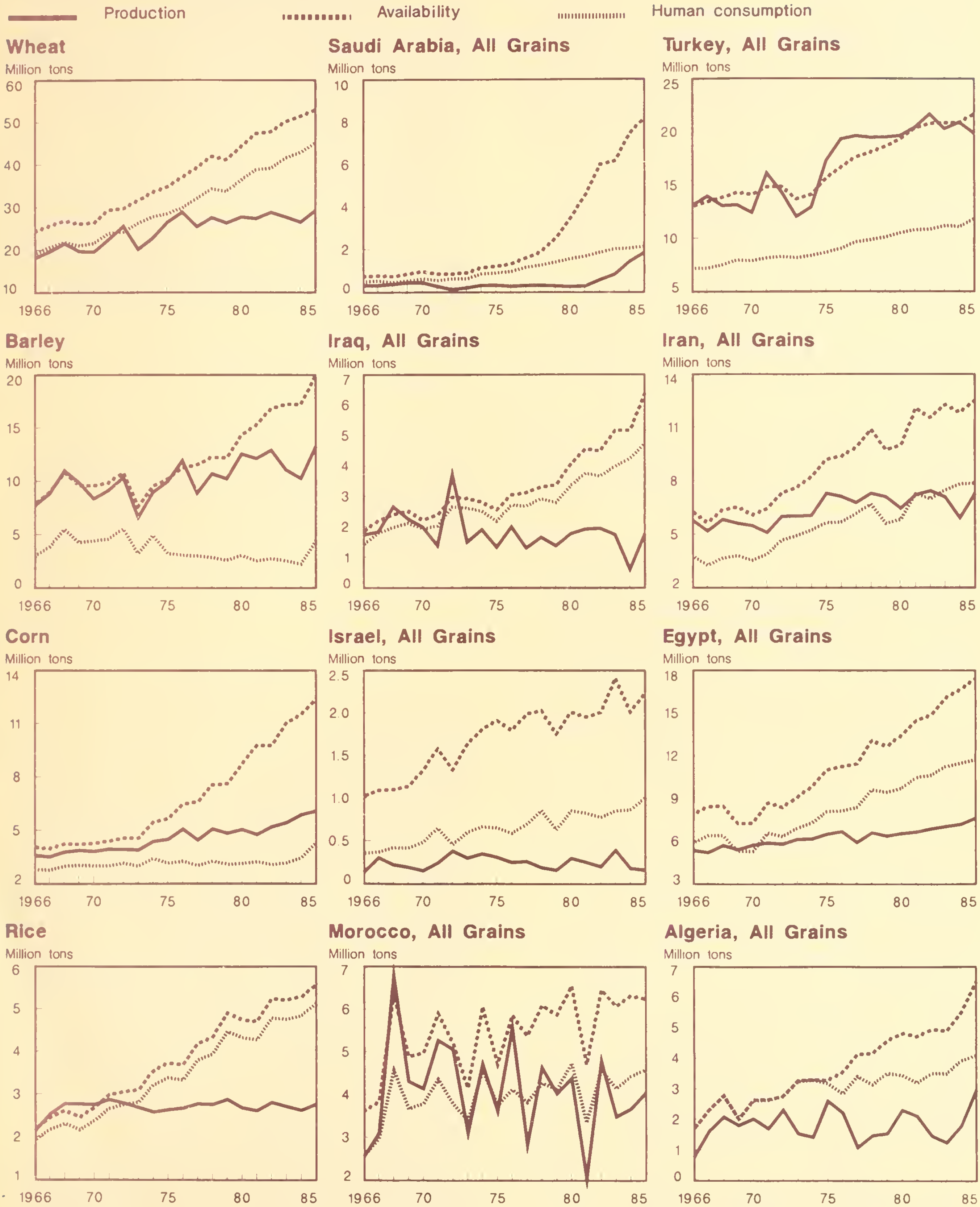
Morocco, All Grains



Algeria, All Grains



Middle East/North Africa Grain Situation, by Grain and by Country



agricultural output rose 9 percent. Date producers received high prices for their 50,000-ton crop because of shortages in Iraq, the world's leading exporter, and the consequent severe reduction in world supplies. Lime and orange output increased to 34,000 tons from orchards in the Batinah Plain, as subsidies prompted producers to use more fertilizer and improved transportation helped get their harvest to market more quickly.

Vegetable output in Oman increased 8 percent to 95,000 tons, including 32,000 tons of tomatoes and 40,000 of melons. European and American technical assistance helped in the development of irrigated fields for horticultural crops and alfalfa. Improved supplies of local forage and imported feed contributed to greater output of meat, milk, and eggs, which now provide 35 percent of Oman's domestic consumption.

Qatar has an interesting two-way trade in vegetables with Saudi Arabia, sending salad vegetables in the winter and buying tomatoes and melons in the summer. With the higher world date prices, Qatar's date orchards--planted in the last two decades--received more care and fertilizer, and output rose 7 percent last year. About 35,000 tons of sorghum, grown between the date trees, provided feed for the expanding livestock sector. Plans to partly offset the impact of lower petroleum prices are likely to cause an acceleration in output of poultry meat in 1986, but imports of Saudi eggs will be a disincentive for Qatari egg producers.

Agricultural Imports Up

In recent years, the EC, Turkey, and Asian suppliers have accounted for most of the rise in agricultural imports by the three countries. Oman's imports increased from $374 million in 1983 to $480 million in 1985, while those of Qatar rose to $225 million. EC exports to Oman increased to $85 million in 1984 and advanced further in 1985, with greater sales of beef, dairy products, sugar, and processed foods. U.S. agricultural exports to Oman increased 1 percent in 1985 to $8.5 million, as larger sales of canned vegetables and cooking oil offset smaller shipments of fruit juices and dairy products.

EC agricultural exports to Qatar increased sharply through 1983 because of greater sales of dairy products and meat, but stabilized at $52 million during 1983-85 because of lower commodity prices. Rising competition from Southern Hemisphere suppliers and Turkey hampered further EC gains. Turkey's shipments averaged $6 million during 1983-85, triple 1982. U.S. shipments to Qatar plunged 50 percent to $3.7 million in 1985, as rice exports dropped from $3.6 million to $121,000.

EC agricultural exports to Bahrain increased 18 percent in 1984 to $66 million and remained near that level in 1985, with sales of meat, dairy products, sugar, and beer. U.S. exports declined 15 percent to $6.7 million; sales of U.S. rice, corn, and apples declined sharply because of a shift to less expensive suppliers.

Diversification To Continue

EC food sales to Oman and Qatar are likely to remain near the 1983-85 average because of smaller food deliveries by Turkey and Thailand. Response to lower rice prices should see a rebound for U.S. agricultural exports to all three countries. [*John B. Parker (202) 786-1680*]

NORTH AFRICA

Algeria

New Plan Focuses on Agricultural Sector

Last year marked the start of Algeria's second 5-year plan (1985-1989), with the key objective to remedy Algeria's chronic food deficit. The funds allocated to agriculture and water projects have been increased. Other objectives include diversifying exports--hydrocarbon products account for 98 percent of export earnings--and reducing the rate of urban growth in Algiers and other coastal centers by encouraging industrial development in the interior. Algeria's high population growth rate--estimated between 3.2 and 3.5 percent a year--is being addressed with family planning promotions.

Algerian crude oil reserves are relatively small; production peaked in 1973 at 50 million tons and has since declined. Its gas reserves

however, are the world's fifth largest, and gas exports account for an increasing portion of export earnings. France, Belgium, and Spain import liquid natural gas and the trans-Mediterranean pipeline into Sicily carries raw gas to Italy and Yugoslavia.

Hydrocarbon export revenues were reported at $12.8 billion in 1985, on par with 1984. Constant value was achieved in the face of falling prices by a higher value export mix. Declining crude oil prices place downward pressure on the prices of other energy sources, and although most of Algeria's energy exports are under long-term supply agreements, there will be strong pressure to cut rates in 1986.

Algerian 1985 Grain Harvest

	Durum	Soft	Barley	Oats	Total
			1000 tons		
East	589	187	727	33	1,536
Center	222	70	152	10	463
West	253	318	409	54	1,034
South	7	1	7	1	16
Total	1,072	574	1,295	107	3,049
1984	792	408	588	84	1,873
% change	35	40	120	27	63

Source: GOA statistics

Since Chadli Bendjedid came to power in 1979, Algeria has exercised a prudent financial policy. External borrowing ceased during the early 1980's, and only resumed in late 1984 at very favorable interest rates. Total disbursed external debt declined from $16 billion in 1979 to $13 billion in 1983, and the debt-service ratio has been kept below 33 percent. However, falling energy prices will raise this ratio and are likely to force more foreign borrowing. Merchandise imports have been limited to about 75 percent of exports. Large net imports of services generally absorb the positive trade balance and the current account has fluctuated between plus and minus $200 million since 1980.

Grain Crop Sets Record

Good weather and a campaign to supply inputs to both public and private farms yielded record wheat and barley crops in 1985. Yields in the primary growing areas were double their normal levels. Wheat output was 1.65 million tons--1.07 million Durum and 576,000 soft wheat. The barley crop was more than double the previous year.

Producer prices for wheats were boosted 25 percent for the 1986 crop year. At the official exchange rate, the Durum price is now $400 per ton and the wheat price $380. Coarse grain prices were raised 40 percent, bringing barley to $280 per ton.

Last year's potato production was a record 800,000 tons; for the first time imports were unnecessary during the winter months. The 1986 harvest objective has been boosted to 1 million tons.

Consumer prices were raised on many subsided food items. Bread and semolina (Durum flour) prices were raised 28 and 33 percent respectively. A 300-gram loaf of French bread now costs 18 cents U.S. and a kilo of semolina 36¢. The reduction in food subsidies is expected to lower their cost from $1 billion to $400 million in 1986.

Self-Sufficiency Drive Is Behind Algeria's Poultry Success

Self-sufficiency in eggs and poultry meat has been an explicit objective of the Government since 1981. There has been much private investment and meat and egg production has increased dramatically. Poultry operations are tax-exempt, the start-up costs are low, and the Bank for Agricultural Development (BADR) is offering credit until domestic capacity reaches the targeted annual production level of 60 eggs per capita.

U.S. Wheat Sales to Algeria Under EEP

Date	Quantity Tons	Grade	Sales Price $US/ton	Bonus $US/ton
6/04/85	1,000,000	Wheat	Initial Offer	
10/16/85	135,000	SRW	103.00	40.56
10/16/85	170,000	HRW	111.00	42.93
10/17/85	30,000	SRW	103.00	41.52
10/21/85	30,000	HRW	111.00	47.03
10/27/85	135,000	SRW	103.00	53.38
3/03/86	261,000	SRW	100.00	22.58
3/03/86	24,000	SRW	85.00	22.58
3/03/86	18,000	HRW	103.00	23.58
3/06/86	135,000	HRW	88.00	23.79
3/06/86	53,000	HRW	103.00	23.70
3/09/86	9,000	HRW	88.00	23.59
2/11/86	250,000	Semolina - Initial Offer		
2/25/86	100,000	Wheat flour - Initial Offer		
4/10/86	1,000,000	Wheat - New Offer		

Algeria: Egg production and imports

	Production	Imports
	millions of eggs	
1980	300	690
1981	400	900
1982	413	1,220
1983	680	1,090
1984	980	900
1985	1,800*	450*
1990	5,080**	0**

* Official forecast. 982 million eggs were produced January-August 1985. Imports January-August were 300 million.
** Five Year Plan targets.

As the sector has expanded, service industries have emerged--for example, cages, once imported, are now produced domestically. The distribution system of chicks and pullets is improving, but bottlenecks remain in supplying feed, and inexperienced producers are facing high mortality rates. The national feeds office is decentralizing its operations to be more responsive to local demand. Feed demand, and imports, have expanded in pace with the industry, but there is considerable concern over the sector's dependence on imported feeds. Research into feed blends high in local content is now a priority.

U.S. agricultural sales to Algeria have been growing steadily in the 1980's. Sales in 1985 reached $228 million, 15 percent above 1984. Wheat sales account for much of the increase, although pulses, dried fruit, almonds, tobacco, and hides all showed impressive gains. Sales in 1986 may reach $350 million, primarily because of the Export Enhancement Program.

Algeria is one of the major beneficiaries of EEP, receiving the initial program of 1 million tons of non-durum wheat in June 1985, and another 1 million ton program in April 1986. Other offers include 250,000 tons of semolina, and 100,000 tons of wheat flour. There is also EEP credit for 500,000 tons of barley, and CCC sales of dairy products. [*David W. Skully (202) 786-1680*]

Egypt

Economy Affected by Declining Petroleum Prices

Egypt's economy is currently under severe stress because three of its four major sources of foreign exchange earnings (oil revenue, Suez Canal tolls, and remittances from abroad) are directly related to falling oil prices. The fourth source, tourism income, is also declining precipitously.

Egypt's exports of petroleum and products will decline from an average $3 billion annually during 1981-85 to an estimated $2.2 billion in 1986. Remittances are likely to slip further as jobs in Mideastern OPEC countries become scarcer; they have already fallen to $3.6 billion in 1985 after averaging $4 billion per year during 1981-84.

Private investments and loans from Arab OPEC countries will also decline as regional oil revenues drop. Furthermore, the declining revenue and investment flow diminish Egypt's creditworthiness, thus affecting its ability to borrow; the foreign debt is already $33 billion.

Adverse external factors were tempered somewhat by favorable internal economic developments in 1985. Agricultural production made the best showing in a decade, as increases in meat and horticultural crops combined with a rebound for cotton. In the manufacturing sector, increased output of consumer goods reduced the reliance on imports. The Government has indicated that most basic subsidies will not be radically altered in 1986, and bread prices will not be increased again.

However, the rapid rise in luxury imports is likely to be curtailed through import rationalization and a new tariff package. Efforts to reduce the budget deficit included a review of where cuts could be made. Price hikes of 33 percent for gasoline should limit further gains for energy subsidies, which cost $2 billion in 1985.

Efforts to limit food subsidies to $2 billion are proceeding cautiously because of political concerns, which were heightened even further by security police disturbances in February. In July 1985, a 13-point economic reform was launched to encourage productivity and slow the rise in imports and Government spending. Inflation continued at over 20 percent. Economic growth in 1985 was estimated at 5 percent, primarily occurring in trade, retailing, construction, banking, and services. Total GDP was estimated at $32 billion in 1985.

U.S. investment in Egypt is now about $1.5 billion, including $1.3 billion in petroleum extraction. Hotels account for much of the remainder. Egypt's debt to the United States totals $9 billion. Delays in payment and very low interest rates for some debts ease the burden of debt service. Nevertheless, it reached $2.6 billion in 1985, about one-fourth of total foreign exchange earnings. Through borrowing, Egypt has generally been able to maintain foreign exchange reserves above $700 million. The free market exchange rate in late 1985 was 1.85 Egyptian pounds per $1, a decline of some 60 percent in 2 years, reflecting its dwindling purchasing power.

Much of Egypt's foreign trade occurs under bilateral trade agreements, and this fact somewhat lessens the impact of lower petroleum prices. Some East European countries will reduce their deliveries of goods to Egypt as the price of oil drops. Egypt also provides oil as payment-in-kind for international companies who helped develop its oil fields. For 1986, with the opening of new Sinai wells, petroleum output is scheduled to reach 1 million bpd, up from 880,000 in 1985.

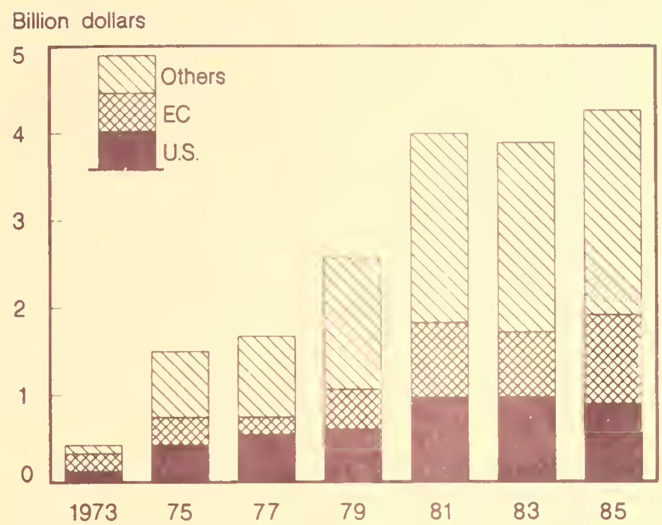
Agricultural Output Rises

Egypt's agricultural output rose 4.2 percent in 1985, compared with 1.7 percent in 1984. While farm output lagged population growth during 1980-84, it was about 50 percent higher then population expansion in 1985. Grain production was 7.8 million tons, up 1 percent from 1984. Cotton rebounded by 12 percent, resulting in an overall output rise for crop production of 5.0 percent. Livestock output gained 3.7 percent.

Last year's corn output remained unchanged at 3.7 million tons. Despite a wheat procurement price rise of 39 percent, production rose only 3 percent to 1.87 million tons because berseem clover remains four times more profitable than wheat. A 2-percent reduction in area caused rice production to decline 1 percent to 2.31 million tons, paddy. The 1985 rice procurement price more than doubled, following the 3.6-percent decline in 1984 because of problems with "Riho," a new variety from Japan.

Among other crops, vegetables rose to nearly 10 million tons. Greater use of new

U.S. and EC Agricultural Exports to Egypt



varieties and fertilizer bolstered tomato output 9 percent to 3 million tons. Fruit production made only slight gains to nearly 3 million tons and shortages caused prices to rise. About 10 percent of the 1.3 million tons of oranges were exported to fulfill trade commitments, but this caused domestic supply shortages and higher prices.

Meat production in 1985 increased 4.3 percent, compared with 7.1 in 1984. Poultry meat output increased 2 percent to 170,000 tons, despite shortages of imported feed and problems for some new commercial producers. Feeding of cattle also expanded less than expected as beef production rose 4 percent to 294,000 tons.

Agricultural Imports Become More Diversified

In 1985, Egypt's agricultural imports increased 4 percent to $4.3 billion. The value of cereal imports declined 7 percent to $1.36 billion, but expenditures for tobacco, cotton, and livestock products were a record. Grain imports increased about 2 percent to 9 million tons. Wheat and flour imports remained at 7 million tons, with Australia and the United States vying as leading suppliers, each providing about 2.4 million tons. French wheat flour exports rose a third above the 909,000 tons of 1984, but EC wheat deliveries declined, causing a retreat in the EC share for Egypt's wheat and flour from 29 to 23 percent.

Corn imports increased 11 percent to 1.9 million tons, although U.S. exports remained

Egypt's agricultural imports by quantity
and value, 1984 and 1985

Commodity	1984	1985	1984	1985
	1,000 tons		$ Million	
Wheat	5,079	4750	775	696
Wheat flour	1,401	1750	385	432
Corn	1,723	1912	295	247
Cottonseed oil	167	190	117	132
Soybean oil	40	5	25	4
Sunflower oil	125	218	57	130
Other vegetable oils	55	61	30	48
Butter, butteroil	59	58	125	122
Cheese	43	49	85	91
Preserved milk	97	88	135	120
Tallow	273	225	150	114
Tobacco	52	56	266	283
Tea	60	63	185	192
Coffee	12	14	35	40
Sugar	850	885	275	290
Cotton				
Beans, peas, lentils	50	44	22	20
Potatoes	50	54	6	7
Fruits & vegetables & preparations	89	116	160	185
Sesame	20	19	25	23
Soybeans	60	75	21	24
Soy meal	225	350	68	50
Beef	236	219	280	267
Mutton	12	17	18	34
Cattle, live (thousands)	165	155	140	137
Sheep & goats, live (thousands)	22	20	4	4
Wool	14	16	60	63
	-	39	-	60
Frozen poultry	120	130	125	135
Canned meat	14	17	35	38
Others	NA	NA	222	292
Total	NA	NA	4,126	4,280

NA = Not Applicable.

SOURCES: U.S. Agricultural Counselor Reports, Cairo, and ERS estimates.

at 1.5 million tons. Argentine deliveries doubled to 400,000 tons because of lower prices. But inadequate feed imports resulted in larger imports of meat and dairy products in 1984 and 1985, particularly from the EC. For example, EC exports of beef to Egypt soared from 28,657 tons in 1983 to 140,334 tons in 1984, at an average price of $1,134 per ton, which helped Egypt to cope with its perpetual shortage of red meat and "three meatless days." Total beef imports were up 77 percent in 1984 to 236,000 tons and saw another 3 percent rise in 1985. Imports of poultry meat rose 12 percent to 130,000 tons with Brazil providing two-thirds, and the United States 10,200 tons for only $647 per ton.

EC agricultural exports to Egypt remained at $1 billion in 1985. Exports of dairy products exceeded $140 million annually during 1980-85. The EC dominated Egypt's cheese imports, averaging 36,000 tons annually from 1983-85, triple the 1980-82 level. Concessional CCC sales saw the U.S. share of Egypt's cheese imports rise to an average 3,616 tons during 1983-85, a 9-percent market share, compared with 88 percent for the EC.

In 1985, Egypt surpassed Spain as the ninth leading U.S. market, at $891 million. U.S. sales were down only 2 percent, the smallest decline among the top ten U.S. markets. EEP shipments of wheat, flour, and poultry meat contributed to a remarkable rebound in fourth-quarter 1985. The volume of U.S. exports of wheat and flour rose 6 percent in 1985, to 2.4 million tons wheat equivalent. Value, at $318 million, was down 3.3 percent because of lower prices.

U.S. tobacco exports rose 11 percent last year to 18,700 tons valued at $76 million, virtually all under GSM-102 financing. Cotton shipments reached $52 million because of the two-for-one bonus earned by exporting long-staple cotton and importing short-staple grades. Commodity Import Program financing allowed Egypt to buy 5,976 tons of U.S. lentils for $3.9 million. Shipments of dairy products increased 9 percent to $53.5 million, and Egypt was the leading market for U.S. butter and cheese.

About half of Egypt's agricultural imports are based on credit or deferred payments, and a good part of the remainder involves countertrade. Over 85 percent of U.S. agricultural exports to Egypt involve Government programs, and the remaining cash sales of U.S. speciality items are suffering because of Egypt's trade restrictions.

Lower Foreign Exchange Earnings Portend Further Economic Hardships

Egypt's agricultural output is forecast to grow slightly faster than population in 1986. Grain production should rise to about 8.3 million tons, while imports will exceed 9 million. Foreign exchange availability is likely to decline a sixth to only about $9 billion, mostly because of lower petroleum prices and declining remittances. Suez Canal tolls may fall below $1 billion, and income from tourism is forecast to drop by a third to $700 million.

U.S. agricultural exports will depend heavily upon use of P.L. 480, CIP grants, and

GSM-102 financing. Sales of wheat, wheat flour, poultry, pulses, and soybeans under GSM-102 credit now total $367.5 million for fiscal 1986. Shipment of U.S. wheat and flour should rise sharply, with $411 million available from U.S. Government programs, including $213 million from Title I, P.L. 480; $78 million from 1985 EEP purchases shipped after October 1, 1985; and $120 million in new GSM-102 credit. [*John B. Parker (202) 786-1680*]

EC MEDITERRANEAN TRADE AFTER EXPANSION

In an effort to soften the blow of Spanish and Portuguese membership in the European Community, the EC will allow Mediterranean fruit and vegetable exporters to keep some of their historical market share through 1996. Agreement was reached on five commodities in which the Mediterrean exporters have had a comparative advantage: oranges, lemons, tomatoes, table grapes, and mandarins. There are also special provisions for wine and olive oil.

The quotas are country- and commodity-specific and are based on the 5-year average of EC imports for 1980-1984. EC customs duties will remain at 12 percent until 1990, and will be phased down to zero by 1995. [*David W. Skully (202) 786-1680*]

EC Annual Quotas for Fruit and Vegetables

Country	Commodity	Quantity
FRUIT		Tons
Morocco	Oranges	245,000
	Other fruit	97,000
	Tomatoes	77,000
Tunisia	Oranges	23,000
	Olive oil	46,000 *
Turkey	Lemons	11,000
Cyprus	Oranges	67,000
	Lemons	15,000
	Table grapes	10,500
Israel	Oranges	293,000
	Other fruit	14,000
	Lemons	6,000
WINE	Bottles	Bulk Hectolitres
Algeria	21,000	139,000
Morocco	3,500	66,500
Tunisia	4,000	144,000
Yugoslavia	29,000	516,000

* for 1986-1991; renegotiable in 1991

Morocco

Economic Growth Short of Plan

Last year marked the end of Morocco's 1981-1985 economic development plan. Actual performance fell far short of the plan's targeted growth rate of 6.5 percent; real growth was 2.2 percent in 1984 and an estimated 2.5 in 1985. A series of droughts and weak world demand for phosphates constrained growth in goods markets, while high interest rates and a decline in the U.S. dollar value of the dirham financially constrained the economy.

The 1986-1988 plan reflects Morocco's adaptation to the austere financial regimen required by the IMF, the kingdom's sovereign, and private creditors. Goals are to reduce Government deficit spending, curtail foreign borrowing, and promote export earnings through opening the economy to international competition. Priority is being given to projects which promise export earnings.

In the agriculture sector, import substitution is being encouraged in cereals, vegetable oils, dairy products, and sugar—although it is not clear that Morocco possesses a clear comparative advantage in the last two commodities. A World Bank loan of $100 million has been granted for imports of agricultural inputs for private farms in rainfed cereal production. Usually, parastatal farms in irrigated areas have had first shot at credit, so the loan is to remedy this imbalance.

Government deficit spending is still not under control. The war in the western Sahara, now in its tenth year, is costly and not a discretionary spending item. Consumer subsidies, long a target of IMF and World Bank policy prescriptions, are being gradually reduced— large-scale cuts are prohibited by political opposition. In September 1985 the Government announced consumer subsidy cuts raising lump sugar prices 11 percent, flour 21, and cooking oil 17. The impact of this price hike was cushioned by a simultaneous increase in the minimum wage.

Tourist earnings have increased steadily since 1983, just offsetting declines in worker remittances. Despite an expansion in the EC quota for textiles, European protectionism and

the entry of Spain into the EC limit Morocco's prospects for increasing its textile, leather goods, or fruit and vegetable exports. New export markets are being sought, in the Middle East in particular.

Perhaps the overriding problem facing Morocco is its large external debt, now $13 billion—exceeding annual GDP. Debt payments are rescheduled almost each year. The Paris Club (government creditors) and the London Club (commercial creditors) both rescheduled Morocco's debt in September 1985. The rescheduling will yield financial relief through 1987. Debt service will run $1.7 billion in 1986, but will climb to about $3 billion in 1990. A World Bank structural adjustment loan of $200 million should help Moroccan industries adapt to a less regulated economy.

Most Moroccan citrus production is irrigated, but poor rainfall for several years has forced water rationing and hurt citrus output and quality. Despite mediocre production and small fruit size, the 1985 harvest enjoyed a strong European market because of frost damage in Spain.

Good Grain Crop Forecast

The grains office announced producer grain prices prior to fall planting again this year. Wheat prices were increased 42 percent and barley prices 65 percent—enough to cover greater costs. Because the grains office procures almost no Durum, the incentive value of these prices is likely to be realized only for bread wheat. The Government appears to have reached its objective of expanding bread wheat area to 1 million hectares. While late rains delayed grain planting, better weather in the major wheat areas has raised estimates for a very good crop—3 million tons of wheat, with 1.5 million tons of Durum.

Imports for the 1986/87 marketing year, consequently, are forecast to decline directly. U.S. sales are anticipated at 1 million tons—all bread wheat. Dry weather in the south has handicapped barley yields, and the harvest is estimated at 2.2 million tons. Corn output is estimated at 320,000 tons, twice last year's crop. Almost all corn is irrigated, and greater anticipated water supplies should give higher yields. Imports are may reach 160,000 tons, with 100,000 of U.S. origin.

Morocco: Wheat Sales Under EEP

Date	Quantity	Type	Price $/ton	Bonus $/ton
9/30/85	1,500,000 all wheat, program initiated			
12/19/85	180,000	SRW	131.00 C&F	20.55
12/19/85	120,000	HRW	131.50 C&F	20.60
01/17/86	260,000	HRW	113.50 FOB	22.81
01/22/86	120,000	HRW	106.00 FOB	25.38
01/22/86	80,000	SRW	106.50 FOB	24.95
03/18/86	760,000	balance		

The Moroccan wheat market was the backdrop for a dramatic market share struggle between the United States and France. Through the use of export credit, especially blended credit, the United States had taken an increasing share of the Moroccan wheat market. In early 1985, however, a U.S. court upheld the claims of U.S. maritime interests and ruled that at least half the quantity of sales under blended credit must be carried in U.S. ships; less expensive ships had been carrying much of the blended credit commodities. U.S. ships are currently uncompetitive charging an estimated $15 a ton above world market rates. This additional rent charge would have negated the competitive edge blended credit was designed to give and so the program was abandoned.

Morocco had expected to import over 1 million tons of U.S. wheat under blended credit in 1985/86. Thus, a "wheat crisis" seemed imminent in early spring; Morocco faced a poor harvest, dwindling domestic stocks, and no foreign credit with which to import wheat. The United States was effectively barred from offering credit, and French creditors were miffed over Morocco's arrears on earlier grain sales.

In April France capitulated, though, offering 500,000 tons of wheat under Compagnie Francaise d'Assurance credit—reported at 9.37 percent for 3 years' repayment. This was followed by an additional 180,000 tons—at 9.57 percent—in June. The critical spring rains arrived late, averting a drought but yielding a below-average harvest of 1.84 million tons. On September 30, 1985, the USDA announced Morocco's eligibility for 1.5 million tons of wheat under the EEP. Since then sales have been active (see the adjoining table) and have brought the United States back into the market. [*David W. Skully (202) 786-1680*]

Tunisia

Economic Controls Avert Crisis

With strong economic growth and direct Middle Eastern investment, Tunisia has been able to avert the kind of debt crises that have plagued many developing nations in 1985. Last summer, however, it had a close call when foreign reserves fell below 1 week's import coverage. Tight controls were placed over imports and the crisis was averted.

The foreign exchange scare prompted the Government to adopt some of the World Bank's policy recommendations, including subsidy cuts, the privatization of 'nonstrategic' state-owned enterprises, budget cuts, and a strong line on wage negotiations. The bank also recommended a devaluation of the dinar, although this seems unlikely.

The 5-year plan to commence in 1987 will likely continue the 1982-86 plan's emphasis on adapting the nation to the depletion of its oil reserves. Towards this end, an export credit organization has been established in cooperation with the World Bank. The bank is also expected to approve a $75-million structural adjustment loan that will help ease the import restrictions imposed last summer.

Petroleum is Tunisia's primary export, providing about a third of its foreign exchange earnings. In 1985, the appreciation of the dollar relative to the dinar offset weaker oil prices, leaving sales little changed in dinar terms. The recent sharp decline in both the price of oil and the value of the dollar will have a severe impact on Tunisia's trade balance in 1986.

Tourism accounts for a fifth of Tunisia's foreign earnings, and a record 2 million visitors came in 1985, with earnings up 15 percent. Much of the increase was due to stronger flows of Algerian and French visitors. Visits by Libyan tourists--the highest per capita spenders--have slowed because of Libyan-Tunisian tensions. In the face of limited oil earnings, Tunisia is continuing its tourist development.

Tunisia is the world's fifth-largest supplier of phosphate, and world phosphate demand is reviving. Tunisia has succeeded in bartering its phosphates for agricultural imports. Late in 1984, China and Tunisia concluded a trade of cotton and wheat for phosphate; this was renewed in January 1986. The new agreement, valued at $35 million, trades 190,000 tons of Tunisian phosphate products for 6,000 tons of cotton, 100,000 of soft wheat, 5,200 of tea, and 50,000 of corn. China delivered both U.S. and French wheat and U.S. cotton to cover its 1985 barter obligations. Tunisia also recently concluded a phosphate/rice barter arrangement with Thailand.

The expulsion of 33,000 Tunisian workers from Libya in September 1985 is estimated to represent a remittance loss of $35 million in 1986. The loss of Libya as an export market will cost an additional $58 million in foreign exchange earnings.

Citrus Output Record

Tunisia's citrus output in 1984/85 was a modest 196,000 tons, but the 1985/86 crop is a record 252,000 tons. Good rainfall and new irrigation facilities in the Cap Bon region were major factors. Export promotion efforts are expected to double exports in 1985/86, to 80,000 tons. France is the principal market, buying 80 percent of all exports. Because of the entry of Spain and Portugal into the EC, the Tunisian government is giving shipping subsidies of 12 cents U.S. per kilo to promote export diversification. Persian Gulf and Eastern European nations are targeted and are expected to purchase 30,000 tons this season.

Grain Harvest Sets Record

Almost ideal weather resulted in a record grain harvest in 1985. Wheat output was 1.38 million tons; 1.07 million tons Durum and 312,000 tons bread wheat. The large Durum harvest may make Tunisia self-sufficient for the 1985/86 marketing year. However, difficulty in storing such a large harvest may cause larger-than-normal post-harvest losses. Barley production reached 686,000 tons, more than double 1984, and induced the Government to raise the price of imported corn to feed mills. Corn is subsidized, and the price increase will help reduce the budgetary burden. Barley and triticale are substituting for corn in many feeds and output of triticale--an extremely hardy grain--is being encouraged as a substitute for corn imports.

Producer prices for the 1986 harvest were announced in October, early enough to influence planting decisions. Prices for Durum and bread wheat are equal this season, reflecting the policy to encourage more bread wheat production--Durum usually receives a premium.

Olive Crop Down

Cold weather inhibited pollinization and lowered the 1985 olive harvest. Olive oil production is forecast at 100,000 tons, off 5 percent from 1984/85. Exports for 1986 are expected to remain at 70,000 tons. A greater proportion of soy and rapeseed oil than usual will be blended in domestic cooking oil. Under a recent agreement (see box) Tunisia is guaranteed a 46,000-ton export quota to the EC through 1991. Libya, expected to import 25,000 tons, has halted its purchases because of strained political relations, and Tunisia is searching for new outlets. As with its citrus-marketing strategy, Middle Eastern and Eastern European nations, as well as the United States, are targeted. Marketing will be difficult as there is a world olive oil glut.

Poultry Output Increases

A series of reductions in the Government feed subsidy, starting in 1983, have created a volatile economic environment for the Tunisian poultry sector, which accounts for 75 percent of national feed consumption. Despite further cuts in 1985, poultry production rose 10 percent to 44,000 tons, and egg output is estimated at a record 1 billion. Tunisia is self-sufficient in both poultry meat and eggs, and is an exporter of the latter. Chilled beef, and cattle and sheep for slaughter, are imported and comprise about one-third of red meat consumption.

Severe Drought Feared for 1986

Scant rain during planting has already handicapped the grain crop, and unless unusually good rains arrive during this period when grain heads are developing, a severe drought appears likely. The winter fodder crops have already failed in the southern and central regions and sheep herds have been greatly affected. Mortality has increased threefold, and animals which would normally be fed until the peak demand month of Ramadan (starting in mid-May this year) are now being sold for lack of feed.

To remedy the feed shortage, 60,000 tons of barley were imported from France for March delivery, and 10,000 tons of pelletized alfalfa for delivery through May. Yugoslavia is reported to have supplied 10,000 tons of corn on an emergency basis.

Grain production depends on March and April rainfall, and current forecasts are for wheat production of 500,000 tons, with Durum at 400,000 tons and bread wheat at 100,000. Barley production is the most severely affected, forecast at 150,000 tons.

As a result, the wheat import forecast has been revised to 1.2 million tons: 585,000 tons Durum and 650,000 tons bread wheat. On March 18, the United States offered Tunisia 300,000 tons of wheat under EEP; U.S. 1986/87 sales are estimated at 400,000 tons Durum and 300,000 tons bread wheat. Barley imports of 230,000 tons are anticipated, primarily of European origin. Corn imports are expected to rise to 250,000, 100,000 of U.S. origin; there are reports that a Thai corn sale has been tabled because of poor quality. [*David W. Skully (202) 786-1680*]

LOWER OIL PRICES HAVE MIXED MEANING FOR REGION'S AGRICULTURAL IMPORTS

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Abstract: The effect of lower oil revenues on the agricultural imports of North Africa and the Middle East will vary among countries. High income oil exporters are unlikely to alter their agricultural purchases, nor are the war economies of Iran and Iraq. Neighboring, non-OPEC nations will face tougher financial times as remittances from workers in OPEC nations decline. However, sharp declines in agricultural imports are limited by a tradition of consumer food subsidies.

Key words: Oil revenues, food imports, improved diets

The oil price increases of 1973 and 1979 allowed oil exporters to capture substantial resource rents. High oil prices have encouraged non-OPEC exporters to expand production, and OPEC's share of the world oil market has fallen from a peak of 65 percent in 1973 to about 40 percent in late 1985. Since 1981, OPEC has had difficulty restraining its members' oil exports; finally, in the first quarter of 1986, production restraint totally collapsed and oil prices plummeted. It appears that the first era of OPEC market domination is drawing to an end. Oil prices are likely to remain low until high-cost producers exit from the market and a new equilibrium or a new output restraint agreement emerges.

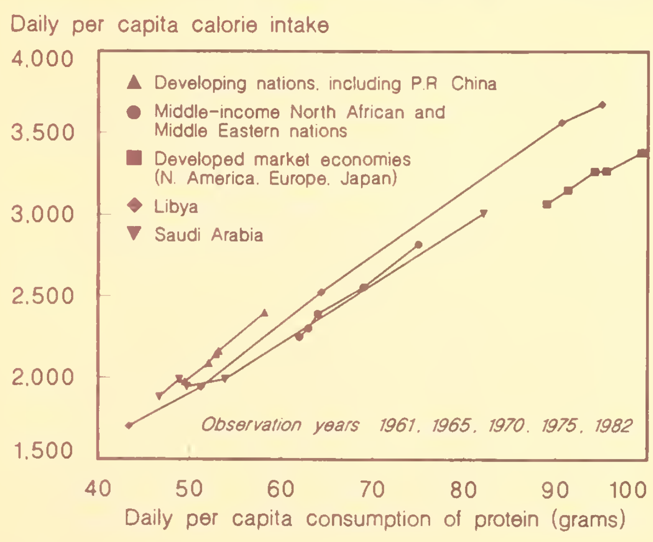
The effect of lower oil revenues on the agricultural imports of North Africa and the Middle East will vary among countries. In general, the agricultural imports of high-income oil exporters--including Saudi Arabia, Libya, and Kuwait--will not be greatly affected in per capita terms. Medium-income OPEC countries--Algeria, Iran, and Iraq--will also remain large food importers, the latter two especially because of the war. However, countries which have become dependent on transfers and remittances from their citizens working in the Persian Gulf and Libya--Egypt, Jordan, and the Yemen Arab Republic--may have to reduce commercial agricultural imports because of foreign exchange and government financial constraints.

For the entire region, a deep-rooted tradition of consumer subsidies for basic food items limits Government policy options. Cheap food is generally viewed as a right in the region, and any significant deterioration in diets would likely elicit strong opposition; consequently, the brunt of belt-tightening is likely to fall on other budget items. Within the agricultural import budget, feed imports are likely to be more vulnerable than food grains and vegetable oils. Poorer economic conditions will likely result first in a reduction in meat consumption, and an increase in food grain--primarily wheat--consumption.

Oil Wealth Brought Better Diets

Because the governments of the region's major oil exporters are the primary beneficiaries of export revenues, the pattern of public expenditure--rather than of household expenditure--is the key determinant of import demand. Prior to 1975, most of the region's oil exporters ranked poorly in terms of nutrition and infant mortality--basic indicators of development. Outside of the

Human Nutrition Trends for Selected Countries



major cities, there had been little investment in "social overhead capital"--roads, water supplies, sewers, and power systems.

However, much of the oil revenue was used to address these needs during the last decade. Consumer food subsidies, public health and education services, and massive housing and civil engineering projects were used by central governments to distribute a share of the surplus oil income to their populace.

Military spending, national airlines, foreign aid, a growing civil service payroll, and subsidies and grants for establishing private businesses also took their share. Income in excess of domestic absorptive capacity--especially during 1978–1981--was invested in international financial assets.

The dietary changes of the high-income oil-exporting nations since 1973 have been truly remarkable (see accompanying chart). Malnutrition was the lot of the average Saudi and Libyan in 1961, but by 1982 their diets were generally on a par with European and North American standards. Although more modest, diets in neighboring non-OPEC nations also witnessed an improvement.

Households can rapidly adopt better diets as real income rises, but the dietary adjustment to lower income is much slower. Food consumption levels tend to be preserved by economizing on other household expenditures, such as delaying the purchase or replacement of consumer durables.

Authorities Reluctant To Cut Public Spending for Food Programs

Because a cheap and steadily available food supply is one of the most visible indicators by which citizens gauge government performance, authorities--always wishing to maintain credibility--are usually very reluctant to cut public expenditures for food programs. Therefore, the sudden plunge in crude oil prices is unlikely to result in a significant dietary changes in the major oil-exporting nations. The departure of foreign workers will gradually decrease the size of the consuming populations, though, so some food imports are likely to fall slightly.

Although oil is now cheaper, most of the region's oil exporters remain enviably wealthy, possessing among them about three-quarters of the world's proven petroleum reserves. Most have little or no foreign debt, and in fact possess large financial portfolios amassed during 1974–1981. Several OPEC nations now have current account deficits, but their pace of spending is slowing down.

Slowdown Would Have Occurred Anyway

This adjustment might be expected even without the oil price decline, because much public spending has been on construction of physical infrastructure with a long life span. Such projects require large initial outlays, but as they are completed, construction costs are replaced by much lower administration and maintenance costs. Indeed, since 1984, most government tenders have been for operation and maintenance services, not for construction. The moderation in public spending reflects not only the cost profiles of projects initiated in the 1970's, but also the postponement or scaling-down of projects planned for the 1980's.

Although the last 12 years have seen large imports of capital goods and consumer durables, a big portion constituted the initial start-up cost of factories or service operations that have a fairly long working life. Lower oil revenues have forced greater budget consciousness in the private sectors of the oil states, as evidenced by the emergence of markets for used equipment and a growing demand for repairmen to resuscitate the large stock of slightly damaged or early-model machinery, heretofore neglected.

Savings in the areas of capital goods, construction materials, and imported labor alone ensure that there will be sufficient foreign exchange to preserve the recent gains in dietary standards. Food imports comprise less than 15 percent of total imports for the richer OPEC nations. In the worst-case scenario, savings could easily be drawn down to cover current consumption.

For Some Nations Lower Remittances Mean Hard Times

While OPEC nations are likely to remain large food and feed grain importers, preserving their new living standards without much financial strain, neighboring labor-exporting nations may not fare as well.

The Middle East is a tightly interdependent region, where nations such as Saudi Arabia and Libya have relatively small and unskilled populations, and have had to rely on imported laborers and skilled professionals to help build and manage their economies.

Nations such as Egypt, Lebanon, Jordan, Syria, and the Yemen Arab Republic have benefited greatly from the large remittance flows from their citizens working in the Persian Gulf and Libya. In many cases, wages sent home have kept these economies from operating at a deficit. However, as the pace of construction and public spending in the richer OPEC states has moderated, so has the demand for foreign workers. Remittances are now declining and workers accustomed to high wages are having to return home to more modest economic circumstances (see accompanying chart).

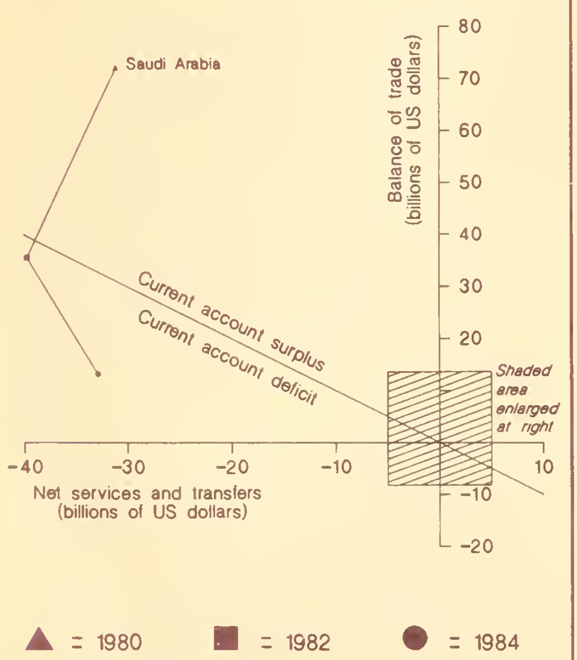
For the period 1974–1981, the region's OPEC nations generally posted balance of trade (BOT) surpluses, and net service and transfer (NST) deficits. In simple terms, these OPEC nations were taking in more revenue than they were spending, giving them a current account (CA) surplus. Since 1981 however, NST payments have generally exceeded BOT surpluses and resulted in current account deficits.

Neighboring non-OPEC nations, in contrast, have generally posted chronic BOT deficits and NST surpluses, usually resulting in a balanced CA or a slight deficit. As OPEC employment of foreigners (and thus NST payments) has fallen since 1981, so have the NST surpluses in the neighboring service-exporting nations. Consequently non-OPEC CA deficits have grown.

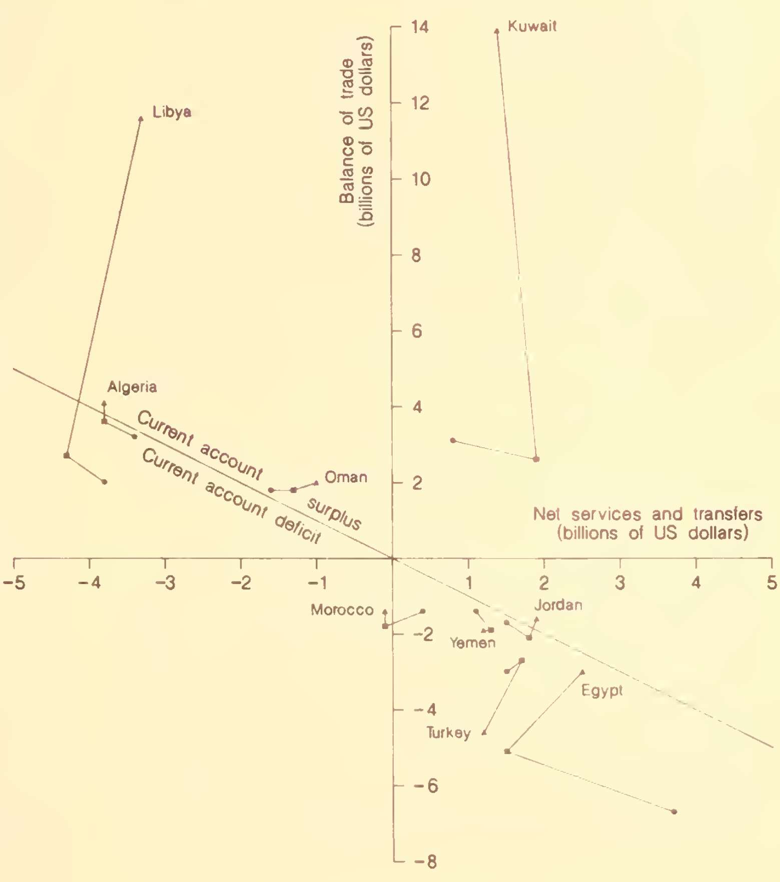
Iraq Has Run Large Deficits

Neither Iran or Iraq has reported detailed balance-of-payments information to the International Monetary Fund since 1978, so discussion of their situation is necessarily limited to inference based on balance of trade data. Iran maintained a trade surplus until 1984, while Iraq has run a substantial deficit since its invasion of Iran in 1980. The Iraqi trade deficit has been covered by heavy

Net Services and Transfers and Balance of Trade for Selected North Africa and Middle East Countries



Enlarged Detail



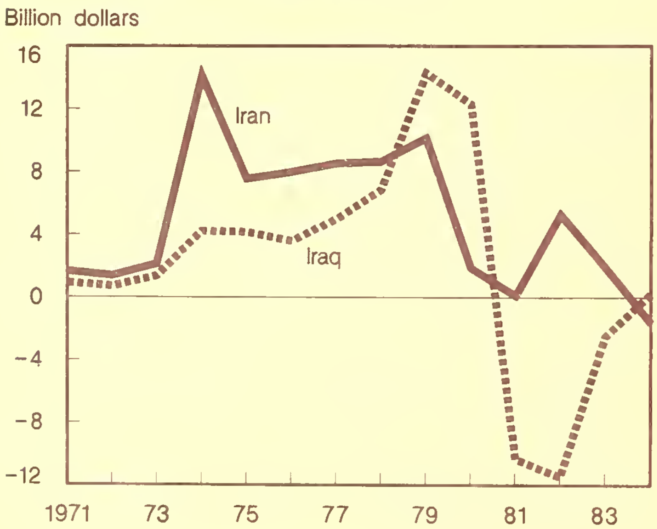
external borrowing (see graph), over $10 billion in 1981 alone. Transfers of several billion dollars from Saudi Arabia and Kuwait have also helped to cover trade and service deficits.

The Iraqi war effort has produced a severe labor shortage, with most adult males engaged in military activities, and many office jobs in Baghdad now staffed by Iraqi women. Large numbers of Egyptian laborers, professionals, and mercenaries have been recruited to cover shortages.

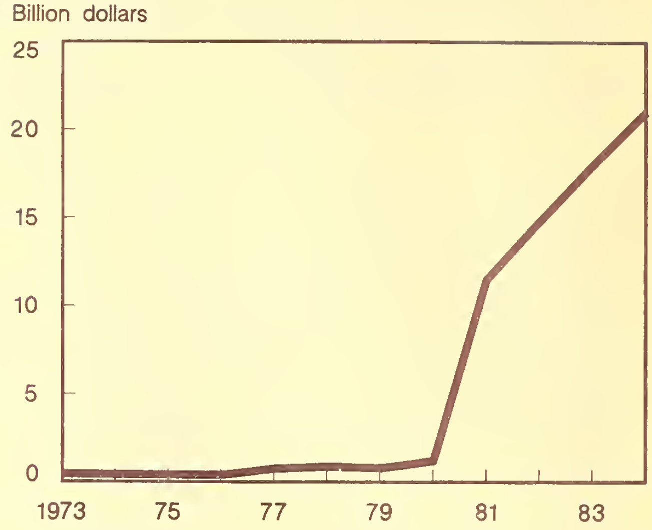
Kuwait and Iraq's Persian Gulf port of FAO (al-Faw, currently occupied by Iran) were Iraq's primary commercial links to the rest of the world prior to 1980. Iraqi trade through FAO and Basra, and transshipments through Kuwait, have virtually ceased; the key trade links are now by truck through Jordan to the Red Sea port of Aqaba, and through eastern Turkey to Adana, a Mediterranean port. Officially there is no trade between Iraq and Syria.

This diversion of trade has been a windfall for Jordan and Turkey--especially for their truck drivers--and a shortfall, since 1981, for Kuwait. Iraqi service payments have helped raise Egypt's NST surplus since 1982, and helped moderate the decline in Jordan and Turkey's NST surpluses. Because the Iraqi war effort has been supported in large part by loans and grants from Arab OPEC members whose financial support is now waning, it is unlikely that the Egyptian NST will remain at its current level of about $4 billion.

Balance of Trade, Iran and Iraq



Iraq's Total Outstanding Debt



IMF and World Bank Activity Likely To Increase in Region

The current account deficits of the remittance-dependent nations are likely to increase during the next 2 to 3 years because their balance of trade will not adjust immediately to lower net services and transfers. For many of these countries, covering their current account deficits will require greater external borrowing, and strain their debt carrying capacity (as it is currently structured).

The IMF has already placed Egypt, Morocco, and Turkey under "conditionality"--requiring that they undertake domestic economic reforms before financial relief (debt rescheduling, or standby lines of credit) is approved. The IMF and other creditors have been strongly pressuring Egypt for economic reform, especially of its food subsidy system. But, little substantive reform has occurred. Morocco and Turkey, also under IMF pressure to reform domestic subsidy and trade policies, have made progress towards this end--especially Turkey. Tunisia and Algeria, on their own initiative, have cut subsidies and thereby avoided confrontations with their creditors.

European Growth Will Determine Turkish and Maghrebi Remittances

The nations of North Africa and Turkey are less affected by the OPEC economic contraction than other labor exporters in the

region. Remittance incomes for Turkey and the three Maghreb nations—Morocco, Algeria, and Tunisia—come primarily from Europe. West Germany is the major employer of Turks, and France the major employer of North Africans. Relatively high unemployment in both France and Germany has placed some pressure on remittances in the 1980's, but declines have been minor.

In the longer run, the improved geographic mobility of Spanish and Portuguese workers in the EC labor market and the recent electoral gains of the xenophobic National Front Party in France could ultimately force many North African workers out of Europe. Lower oil prices should promote European growth, moderate unemployment, and alleviate some of the pressure on foreign workers.

Libya's expulsion of Tunisian and Egyptians workers in 1985 has cut remittance flows, and returning workers have disturbed domestic labor markets. Tunisia and Egypt are both minor oil exporters and lower prices will only push their current accounts further into deficit. Morocco's economic union with Libya (established in 1984) has reportedly opened 40,000 jobs for Moroccans in Libya, and as Morocco expends 30 percent of its foreign exchange earnings on petroleum, it is perhaps the only nation in the region to benefit from lower oil prices.

MIDDLE EAST AND NORTH AFRICA: IMPORTANT IN PULSE TRADE

The Middle East and North Africa region played a major role in the world pulse situation in 1985—a situation of tighter supplies and rising prices. The region is a major producer, importer, and exporter of pulses (dry beans, lentils, and peas).

Turkey dominates the region's exports of lentils and chickpeas. Most other countries in the region are growing importers, and when Turkish supplies are inadequate they turn to other exporters. During 1981-84, Arab countries, Iran, and India became dependent upon inexpensive red lentils from Turkey, the region's major supplier. However, as drought lowered its production last year and domestic prices rose, Turkey banned exports of lentils in July and 1985 exports totaled only 115,000 tons. As a result, the region's pulse exports dropped from the 653,000 tons of 1983 to about 339,000 tons. Since import demand in the Mideast and South Asia traditional markets was booming, a sharp price rise ensued.

Turkey's production has a great influence upon world trade and prices for lentils and chickpeas. The average wholesale price for green lentils in Turkey rose from $230 per ton following the bumper 1983 harvest of 650,000 tons, to $705 in 1985, when drought caused production to fall to 450,000 tons. The average U.S. export price for lentils declined from $914 per ton in 1980 to $423 in 1983 because of Turkish competition and rebounded to $620 in 1985 because of Turkey's shortage.

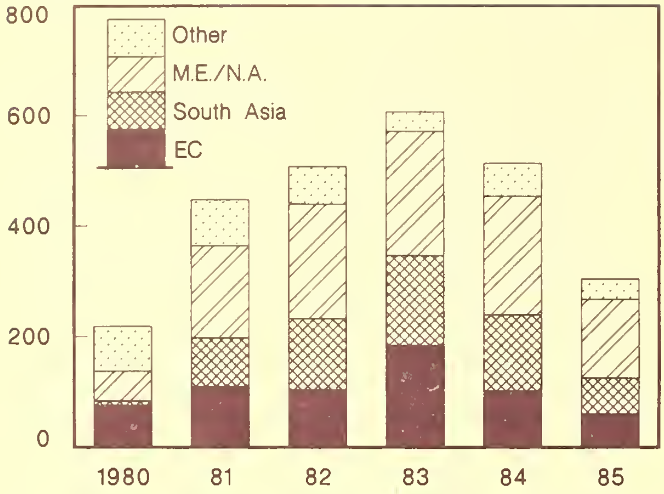
The region's total pulse imports displayed strong growth in the 1970's and early 1980's, but remained stable at about 452,000 tons in 1984. Further gains would have occurred in 1985 had Turkey's usual exportable lentil surplus not disappeared. Greater imports from the United States, EC, and Latin America nearly offset smaller Turkish deliveries and kept the region's pulse imports at 439,000 tons.

Due to consumer subsidies and countertrade, regional import demand for dry beans and lentils is expected to continue growing. Pulse demand is enhanced by widely subsidized prices and improved food distribution to rural areas, where beans, bread, and soup are dietary staples.

Turkey's Exports Shift To North Africa and Asia

Turkey's pulse exports peaked at 607,293 tons in 1983, and dropped to 295,122 tons in 1985. Its shipments to the European market declined drastically between 1980 and 1984, because import demand for Turkish pulses skyrocketed in the Middle East, North Africa, and South Asia. Turkey provided half the total pulse imports of the Middle East and North Africa during 1982-84, but only a third in 1985 when exportable supplies dwindled.

Turkey's Pulse Exports



Turkish lentil deliveries to Iraq peaked at 64,000 tons in 1984, but were only a third that level in 1985, causing Iraqi importers to seek U.S. pulses. Turkey's exports to Egypt peaked at 79,180 tons in 1982 and dropped to 33,707 in 1984, as Egypt boosted its own dry bean yields. Shipments to Iran nearly tripled to 28,608 tons in 1983, but declined 44 percent in 1984 and ended in 1985 as Tehran shifted to new suppliers.

As Turkey's supplies dwindled, the Government tried to supply nearby regional customers first, because of standing countertrade commitments (including oil traded for pulses) and also because of rising competition for the dwindling EC import market. Lebanon, Jordan, and Saudi Arabia each bought 10,000 to 21,000 tons of Turkish pulses annually during 1981-84. Eastern Europe has bolstered pulse output recently, and its purchases from Turkey virtually ceased after 1984. In both 1983 and 1984, India was the leading importer of Turkish pulses, taking over 75,000 tons each year. But, deliveries dwindled to less than 30,000 tons in 1985 as price disputes arose.

Total Middle Eastern and North African pulse imports declined 6 percent in 1985 because of the shortage of Turkish lentils. The gap was partially filled by greater purchases of dry beans and peas, but a world shortage of pulses available for export forced prices up sharply. In addition to Turkey's sharp decline, Thailand's output of dry beans fell about 50 percent in 1985, due to adverse

Pulse Trade in the Middle East and North Africa

	1982	1983	1984	1985
		Tons		
IMPORTERS				
Algeria	89,897	120,509	87,890	88,500
Egypt	111,248	63,200	64,000	47,000
Tunisia	102	27	3,541	3,000
Libya	19,862	21,000	20,000	19,000
Morocco	248	247	300	310
Iraq	51,000	65,000	81,000	58,000
Iran	14,906	42,700	40,000	43,000
Israel	19,399	17,886	19,822	20,000
Jordan	12,720	16,733	13,047	14,000
Lebanon	46,000	45,000	44,000	42,500
Syria	3,000	1,016	1,600	2,000
Turkey	1,375	1,672	1,500	2,000
Saudi Arabia	34,509	38,420	38,746	39,000
Kuwait	9,462	8,800	8,400	8,200
UAE	15,194	16,000	17,000	15,800
Qatar	2,676	866	1,500	1,200
Bahrain	2,799	2,692	3,000	2,900
Oman	1,562	1,489	2,584	2,800
YAR	1,200	1,300	2,100	2,000
PDR Yemen	1,945	1,543	2,000	2,200
TOTAL	439,104	466,100	452,030	413,410
EXPORTERS				
Turkey	507,604	607,293	514,473	295,122
Syria	17,524	20,528	39,781	27,000
Lebanon	7,500	3,000	4,200	2,000
Morocco	4,147	9,607	6,000	7,400
Tunisia	5,000	4,000	2,189	3,700
Israel	1,400	300	670	700
Egypt	1,967	8,112	5,500	3,800
TOTAL	545,142	652,840	572,813	339,722

SOURCES: UN Trade Data and ERS estimates.

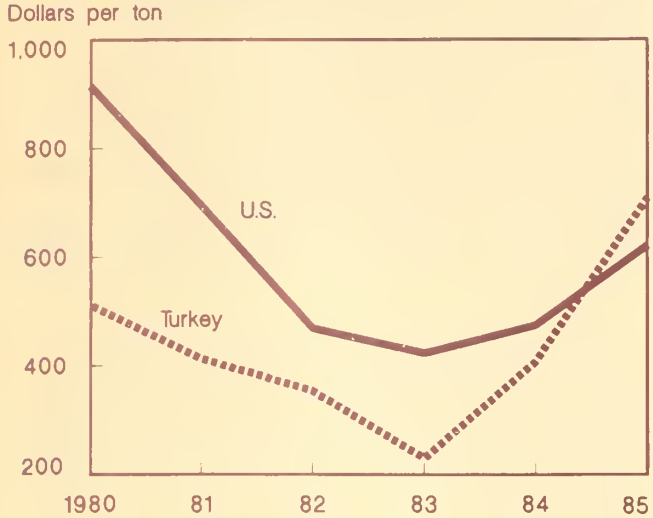
weather, just as Japan and India were competing keenly for limited supplies. Mideast importers turned to Thailand, Vietnam, and China for dry beans at prices less than $425 per ton.

U.S. Pulse Exports To Region May Triple in 1986

After attempts to locate pulses in other countries failed, or quantities purchased were insufficient, more importers in the region turned to the United States, despite higher U.S. prices. U.S. exports to Algeria, Egypt, and Iraq increased in 1985, and further gains are forecast this year. Algeria is a growing market for Great Northern beans.

Egypt is scheduled to receive $6 million in GSM-102 credit for U.S. lentils, in addition to U.S. direct grants. Also, additional credit may allow Egypt to buy dry beans from Michigan. Iraq has $8 million in GSM-102 credit for

Comparison of Turkish and U.S. Lentil Prices



pulses, and 1986 purchases from the United States may be five times the initial 3,000 tons bought in 1985. For 1986, U.S. exports of pulses to the region may triple the 21,000 tons shipped in 1985, and the region's imports from all sources are forecast to rebound to about 460,000 tons worth $300 million.

Strong Import Demand Creates Opportunity for New Suppliers

Following market disruptions created by the collapse in Turkish lentil deliveries, importers in the region are struggling to find new suppliers of pulses. Since lentils priced at less than $1,000 per ton are difficult to locate, dry beans and peas prices are sought as substitutes. Argentina has apparently sold all of its less expensive beans, and expectations of booming import demand from nearby Brazil have caused Argentina to avoid making sales to the Mideast and North African markets for 1986 delivery, thus leaving Iran without adequate supplies.

Canada is expected to send more dry beans to North Africa. Exportable surpluses of mung and black beans from Thailand may soon be depleted, and China is apparently hesitant to make large sales beyond traditional East Asian markets.

Shortages of the 1985 or early 1986 harvest will put greater pressure on Mideast and North African importers to buy from supplier stocks in Europe and the United States. For example, traders in France, the Netherlands, and the United Kingdom are already unloading stocks of old beans (1983 and 1984 harvest) at attractive prices to eager Mideast customers. [*John B. Parker (202) 780-1680*]

SAUDI ARABIA'S FOOD IMPORTS:

A Case of the "Permanent Income Hypothesis" at Work

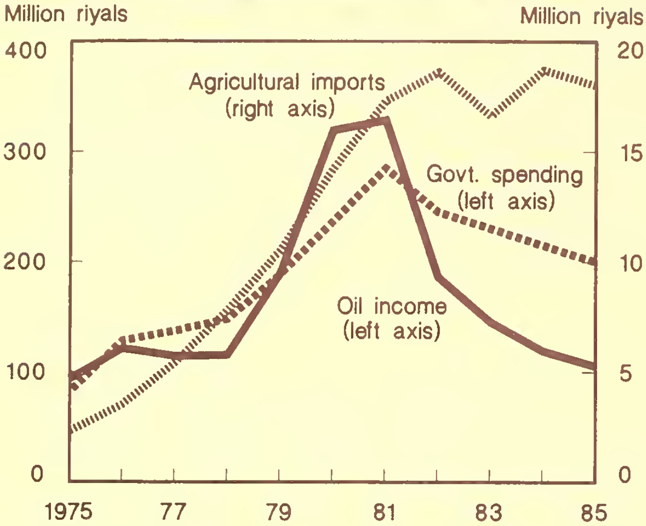
Conventional economic theory contends that nations, like households, spend more on consumption as their income increases, and conversely, spend less when their income declines. With qualification, this Keynesian approach--whereby consumption is a function of current income--applies to expenditures for food as well as other commodities.

Saudi Arabia, however, provides an interesting case in which conventional economic theory does not always apply. Instead, a strong case can be made based on the "permanent income hypothesis." This approach may explain why Saudi Arabia's food imports have not dropped significantly despite a precipitous 4-year fall in current income, (see the accompanying chart).

As Saudi income grew rapidly during 1978-81 (up 216 percent in nominal terms), food imports and total imports climbed, although not as rapidly as income. Saudi income declined equally rapidly during 1981-85 (from a peak of $113 billion to $33 billion); however, agricultural imports ($4.9 billion in 1985) did not follow this trend, despite 3 consecutive years of GDP decline and growing budget deficits.

Instead, massive food purchases and increasing consumption levels continue, despite the necessity of cashing in foreign investments to maintain these imports. The Saudi consumption pattern contrasts sharply with that of most other major oil-exporting nations. This behavior may be explained by a

Saudi Arabia's Oil Income, Government Spending, and Agricultural Imports



"permanent income" or "income maintenance" effect. This approach is based on the hypothesis that some nations become accustomed to a given consumption level based on a given income level, and--for various reasons--find it difficult to sharply curtail consumption, even if their income drops, because of rising expectations among the populace.

There are several underlying factors which distinguish Saudi Arabia's recent macroeconomic behavior from that of other OPEC nations:

- A wise Saudi investment policy, during a time of peak interest rates, led to the accrual of a much larger reserve of foreign investments (about $150 billion) during the heady days of OPEC profits (1978-81);
- Interest alone from this portfolio has yielded about $15 billion income annually;
- The Kingdom has been absorbing its surplus income at a relatively constant rate, investing much of it in an ambitious and expensive program of infrastructure development;
- Many oil-exporting nations apparently made straight-line projections of windfall profits derived from the OPEC price increases of 1978-79, and continued spending or initiated expensive development schemes based on assumed income growth at the 1978-81 rates.

Against this backdrop, Saudi food imports continue high for several reasons. As a conservative monarchy--surrounded by instability in a volatile region of the world--the Saudis make domestic political stability a high priority of the Government, and elaborate consumer subsidies are a primary mechanism to distribute the national income derived almost totally from petroleum. These consumer benefits include large direct subsidies on many basic foodstuffs.

Furthermore, about 70 percent of the Saudi labor force is composed of foreign workers whose wages are many times higher than those in their homelands. Food subsidies are available to them, and their consumption levels are high. In fact, per capita consumption of higher valued food, such as meat and dairy products, is increasing rapidly.

Because of its voluntary role as the "swing producer" in OPEC, Saudi Arabia can now afford to (and does) have a longer planning horizon than other OPEC nations. The Saudis can therefore continue to consume at the current level (despite budgetary deficits) while forecasting when their income will rise sharply again, estimated by many oil analysts to be 1988. The current global oil glut will likely result in Saudi Arabia having a larger share of world oil production by then, when higher petroleum prices and export volume is likely to again boost the Kingdom's income. Its share of world production declined from 17 percent in 1982 to 8 in 1985.

Therefore, the Saudi Government is apparently willing to draw down investments to maintain present consumption levels. In fact, expenditures for imported food have changed very little since their 1982 peak of $5.4 billion. Since then, some world commodity prices have declined, permitting the Saudis' steady expenditure level to purchase a greater quantity of food to compensate for population growth. Based on the "permanent income" hypothesis, Saudi Arabia will probably continue agricultural imports at approximately this magnitude, to maintain present consumption levels and to ensure the domestic political stability inherent in consumer prosperity. [*George R. Gardner (202) 786-1680*]

Production of selected agricultural commodities

Country and year 1/	Wheat	Barley	Corn	Rice, paddy	Pulses 2/	Grapes	Citrus fruit	Dates	Cotton	Cotton-seed	To-bac-co	Sugar, raw	Milk	Wool	Meat
NORTH AFRICA							1,000 Metric tons								
Algeria															
1976–78 avg.	1,180	415	2	2	63	329	486	150	—	—	2	—	583	17	135
1983	794	444	1	1	105	315	329	190	—	--	4	--	570	18	144
1984	200	588	1	1	120	350	342	207	—	—	5	--	580	18	148
1985	1,646	1,295	1	1	127	365	374	220	—	—	6	—	600	18	157
Egypt															
1976–78 avg.	1,863	122	2,963	2,308	278	267	889	416	411	701	—	657	1,776	4	427
1983	2,025	120	3,507	2,442	301	310	1,485	440	419	674	--	746	2,080	5	521
1984	1,815	144	3,698	2,330	314	315	1,530	450	399	642	—	703	2,145	5	558
1985	1,874	145	3,699	2,312	313	318	1,598	445	443	712	--	770	2,230	5	582
Libya															
1976–78 avg.	97	171	—	—	—	12	27	72	—	--	1	—	96	--	37
1983	143	90	—	—	—	16	44	90	—	—	2	—	97	--	61
1984	50	100	—	—	—	23	46	98	—	—	4	—	120	—	65
1985	148	105	—	—	—	22	47	92	—	—	2	—	125	—	69
Morocco															
1976–78 avg.	1,784	2,177	356	25	282	334	942	92	5	10	6	319	618	24	198
1983	971	1,228	258	4	258	340	958	74	6	13	7	345	650	16	313
1984	1,989	1,405	264	3	294	350	1,010	80	7	13	7	395	675	15	317
1985	1,835	2,025	162	3	314	360	943	77	4	9	7	380	680	16	341
Tunisia															
1976–78 avg.	748	201	—	--	64	57	158	40	--	—	4	10	234	7	98
1983	618	303	—	—	87	70	122	60	—	--	7	7	277	10	166
1984	711	312	—	—	53	82	191	46	—	—	3	14	290	10	174
1985	381	686	—	—	73	70	170	60	—	—	4	16	315	11	188
Total North Africa															
1976–78 avg.	5,673	3,086	3,320	2,334	687	999	2,502	771	416	711	13	986	3,309	52	895
1983	5,551	2,185	3,766	2,447	751	1,051	2,938	854	425	687	20	1,098	3,674	49	1,205
1984	5,865	2,549	3,963	2,334	781	1,120	3,119	881	406	655	19	1,112	3,810	48	1,262
1985	6,884	4,256	3,862	2,316	827	1,135	3,132	894	447	721	19	1,166	3,950	50	1,337
MIDDLE EAST															
Cyprus															
1976–78 avg.	44	85	—	—	8	157	194	--	--	--	1	--	--	--	--
1983	18	80	—	—	7	201	341	—	—	—	1	--	—	--	--
1984	20	100	—	—	7	210	284	—	—	—	1	--	—	--	--
1985	19	100	—	—	7	205	298	—	—	—	1	—	—	--	—
Iran															
1976–78 avg.	5,267	1,083	52	1,205	162	499	300	297	162	306	18	650	2,300	16	733
1983	5,200	1,300	61	1,216	138	545	320	459	85	192	30	415	2,300	15	582
1984	4,500	950	50	1,230	130	530	325	330	85	192	30	410	2,570	15	619
1985	5,300	1,450	60	1,270	145	563	315	385	88	177	31	412	2,654	15	663
Iraq															
1976–78 avg.	973	551	—	178	93	376	108	446	37	78	10	—	1,613	13	230
1983	841	835	—	111	125	419	155	345	15	25	14	—	1,423	11	262
1984	250	275	—	95	121	425	153	115	12	25	12	—	1,480	11	313
1985	600	1,100	—	75	134	440	158	330	14	29	13	—	1,530	11	346
Israel															
1976–78 avg.	198	14	—	—	—	75	1,463	--	66	109	—	36	715	--	185
1983	335	5	—	—	—	70	1,532	—	93	153	—	25	829	—	215
1984	120	4	—	—	—	60	1,522	—	88	187	—	20	839	--	248
1985	140	15	—	—	—	65	1,433	—	97	205	—	17	865	--	233
Jordan															
1976–78 avg.	61	18	—	—	43	60	105	—	—	--	—	—	—	--	--
1983	150	28	—	—	40	72	127	—	—	—	--	--	—	--	--
1984	40	10	—	—	34	67	125	—	—	—	--	--	—	--	—
1985	100	21	--	—	30	70	120	—	—	—	—	—	—	--	
Lebanon															
1976–78 avg.	45	10	—	—	11	85	312	—	—	--	6	13	--	--	
1983	15	8	—	—	13	138	295	—	—	—	4	10	--	--	-
1984	13	5	—	—	12	135	283	—	—	—	3	10	—	--	—
1985	15	8	—	—	14	140	300	—	—	—	3	12	--	—	--
Saudi Arabia															
1976–78 avg.	113	14	16	3	--	50	16	350	—	—	—	—	279	--	84
1983	741	13	5	3	--	85	35	438	—	—	—	—	320	—	230
1984	1,300	7	5	3	—	79	37	450	—	—	—	—	335	--	300
1985	1,980	10	6	3	—	92	42	465	—	—	—	—	353	—	325
Syria															
1976–78 avg.	1,553	708	—	—	239	339	—	—	150	251	16	30	—	15	--
1983	1,612	1,043	—	—	198	389	—	—	193	330	14	116	—	19	--
1984	1,068	303	—	—	119	450	—	—	165	280	15	127	—	19	--
1985	1,700	740	—	—	154	420	—	—	182	306	15	132	—	20	--
Turkey															
1976–78 avg.	13,267	4,800	1,292	263	755	2,889	995	—	509	810	283	1,089	5,064	55	593
1983	13,300	5,400	1,480	291	1,322	3,000	1,190	--	522	835	228	1,777	5,064	63	779
1984	13,300	6,000	1,500	271	1,215	3,000	1,120	—	580	927	194	1,740	4,966	62	798
1985	12,700	5,900	1,800	300	1,311	3,000	1,050	—	505	815	192	1,500	4,924	62	826
Total Middle East															
1976–78 avg.	21,520	7,284	1,359	1,649	1,310	4,531	3,492	1,093	923	1,554	334	1,818	9,970	99	1,825
1983	22,212	8,712	1,546	1,621	1,843	4,919	3,995	1,242	908	1,535	291	2,343	9,936	108	2,068
1984	20,611	7,654	1,555	1,599	1,638	4,956	3,849	895	930	1,611	255	2,307	10,190	107	2,278
1985	22,554	9,344	1,866	1,648	1,795	4,995	3,716	1,180	886	1,532	255	2,073	10,326	108	2,393
GRAND TOTAL North Africa & Middle East															
1976–78 avg.	27,192	10,370	4,679	3,983	1,997	5,531	5,994	1,864	1,338	2,265	347	2,804	13,279	151	2,719
1983	27,763	10,897	5,312	4,068	2,594	5,970	6,933	2,096	1,333	2,222	311	3,441	13,610	157	3,273
1984	26,476	10,203	5,518	3,933	2,419	6,076	6,968	1,776	1,336	2,266	274	3,419	14,000	155	3,540
1985	29,438	13,600	5,728	3,964	2,622	6,130	6,848	2,074	1,333	2,253	274	3,239	14,276	158	3,730

1/ Data for 1985 are preliminary.
2/ Pulses may include dry beans, broad beans, lentils, chickpeas, cowpeas, dry peas, vetch, bambarra groundnuts, and pigeon peas.
— = None, negligible, or not identified in ERS data base.

The Middle East and North Africa: Indices of agricultural and food production

Country	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
	Total agricultural production					Per capita agricultural production				
	(1976-78 = 100)									
North Africa										
Algeria	109	110	103	116	132	96	94	85	92	102
Egypt	112	115	116	118	123	99	99	97	96	97
Libya	118	125	127	137	137	98	99	95	97	95
Morocco	86	111	102	107	114	77	95	85	91	94
Tunisia	118	133	126	143	167	106	116	107	120	138
Total	105	114	111	118	127	93	98	93	97	102
Middle East										
Cyprus	128	125	122	126	124	123	119	115	117	114
Iran	89	96	94	90	97	78	82	78	72	76
Iraq	92	101	105	95	116	80	85	85	75	89
Israel	101	113	114	116	114	93	101	101	100	96
Jordan	103	153	112	135	108	89	127	90	105	81
Lebanon	95	125	109	108	104	97	129	112	112	107
Saudi Arabia	126	168	221	277	343	106	137	175	211	253
Syria	118	121	115	105	115	103	102	93	82	87
Turkey	108	114	113	114	113	99	102	99	97	94
Total	103	111	112	113	118	92	97	95	93	95
	Total food production					Per capita food production				
North Africa										
Algeria	112	109	110	103	117	102	96	94	85	93
Egypt	111	116	118	121	126	98	99	99	98	99
Libya	105	118	124	127	131	92	98	98	95	92
Morocco	108	86	111	102	105	98	76	96	85	85
Tunisia	109	118	133	125	143	101	106	116	107	119
Total	109	104	115	112	118	100	92	99	94	96
Middle East										
Cyprus	128	125	122	126	124	123	119	115	118	114
Iran	89	97	94	91	98	79	83	78	73	77
Iraq	92	102	105	96	117	80	86	86	75	90
Israel	96	110	110	113	109	87	99	97	98	92
Jordan	103	153	112	135	108	89	127	90	105	81
Lebanon	99	133	115	116	112	101	137	118	120	115
Saudi Arabia	126	168	221	277	343	106	137	175	211	253
Syria	128	128	113	104	115	111	108	92	81	87
Turkey	112	117	116	117	117	102	105	101	100	97
Total	105	114	113	115	121	94	99	96	95	97

The Middle East and North Africa: imports of grains, annual 1983-85

Country	Wheat 1983	Wheat 1984	Wheat 1985	Rice 1983	Rice 1984	Rice 1985	Feed grains 1983	Feed grains 1984	Feed grains 1985	Total 1983	Total 1984	Total 1985
	1,000 Tons											
Algeria	3,200	3,000	3,100	31	30	33	880	970	950	4,111	4,000	4,083
Egypt	6,600	7,040	7,082	8	2	5	1,680	1,787	1,900	8,288	8,829	8,987
Libya	665	640	650	55	53	56	365	340	370	1,085	1,033	1,076
Morocco	1,820	2,643	2,400	36	12	10	400	300	250	2,256	2,955	2,660
Tunisia	901	1,035	800	5	4	4	247	250	220	1,153	1,289	1,024
Total North Africa	13,186	14,358	14,032	135	101	108	3,572	3,647	3,690	16,893	18,106	17,830
Bahrain	46	43	45	22	19	22	18	20	25	86	82	92
Cyprus	58	88	81	3	2	3	396	370	400	457	460	484
Iran	2,500	3,743	2,740	650	710	730	1,505	1,300	740	4,655	5,753	4,210
Iraq	2,627	3,342	2,700	445	525	550	480	960	770	3,552	4,827	4,020
Israel	560	655	700	61	60	62	1,080	1,320	1,400	1,701	2,035	2,162
Jordan	425	467	483	52	40	50	190	290	300	667	797	833
Kuwait	291	301	330	115	118	114	212	220	210	618	639	654
Lebanon	270	359	360	26	25	27	240	180	200	536	564	587
Oman	107	110	125	133	135	140	26	30	31	266	275	296
PDR Yemen	165	282	386	50	55	70	22	24	24	237	361	480
Qatar	39	36	31	24	23	25	33	36	40	96	95	96
Saudi Arabia	747	481	115	581	515	501	3,099	6,672	5,400	4,427	7,668	5,723
Syria	1,245	1,216	1,440	150	145	170	100	285	300	1,495	1,646	1,910
Turkey	65	978	1,000	43	55	91	186	849	500	294	1,882	1,591
UAE	173	175	225	215	220	210	140	100	120	528	495	535
YAR	589	666	630	145	140	135	27	35	38	761	841	803
Total Middle East	9,907	12,942	11,371	2,715	2,787	2,900	7,754	12,691	10,498	20,376	28,420	24,476
Grand total	23,093	27,300	25,403	2,850	2,888	3,008	11,326	16,338	14,188	37,269	46,526	42,306

SOURCES: Country trade data and ERS matrix tables.

Total exports and imports by Middle East and North Africa OPEC countries, 1976-1985

Country	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
	$ Million									
EXPORTS										
Algeria	5,201	6,166	6,315	9,483	13,660	14,116	13,508	12,583	12,795	12,735
Iran	23,503	24,260	22,200	19,876	14,278	12,597	19,430	20,211	13,220	12,285
Iraq	9,272	9,649	11,061	21,500	26,278	10,530	10,250	9,785	11,400	11,100
Kuwait	9,844	9,801	10,427	18,242	19,842	16,299	10,864	10,508	10,837	10,652
Libya	8,306	9,759	9,498	16,085	21,919	15,576	13,954	11,397	11,140	10,700
Qatar	2,206	2,003	2,336	3,790	5,703	5,696	5,200	3,338	3,190	3,300
Saudi Arabia	36,437	44,061	37,914	58,751	102,259	113,406	76,247	47,814	37,530	33,000
UAE	8,684	9,637	9,126	13,652	20,678	20,234	17,261	15,085	14,173	14,182
TOTAL	103,453	115,336	108,877	161,379	224,617	208,454	166,714	130,721	114,285	107,954
IMPORTS										
Algeria	5,082	7,125	8,681	8,403	10,826	11,269	10,754	10,307	10,286	10,500
Iran	12,894	14,645	13,549	9,738	12,246	12,499	14,164	18,510	17,800	13,300
Iraq	3,471	3,899	4,213	7,230	14,067	20,922	21,728	12,275	12,400	11,800
Kuwait	3,324	4,840	4,595	5,200	6,529	6,978	8,282	7,479	7,694	7,100
Libya	3,212	3,773	4,603	5,311	6,777	8,015	8,305	7,392	6,732	6,100
Qatar	872	1,227	1,193	1,453	1,448	1,524	1,900	1,456	1,500	1,460
Saudi Arabia	8,695	14,656	20,349	24,257	30,166	35,268	40,653	39,198	33,697	30,000
UAE	3,327	5,048	5,364	6,952	8,746	9,646	9,440	8,356	7,634	7,700
TOTAL	40,877	55,213	62,547	68,544	90,805	106,121	115,226	104,973	97,743	87,960
TRADE BALANCE										
Algeria	119	(959)	(2,366)	1,080	2,834	2,847	2,754	2,276	2,509	2,235
Iran	10,609	9,615	8,651	10,138	2,032	98	5,266	1,701	(4,580)	(1,015)
Iraq	5,801	5,750	6,848	14,270	12,211	(10,392)	(11,478)	(2,490)	(1,000)	(700)
Kuwait	6,520	4,961	5,832	13,042	13,313	9,321	2,582	3,029	3,143	3,552
Libya	5,094	5,986	4,895	10,774	15,142	7,561	5,649	4,005	4,408	4,600
Qatar	1,334	776	1,143	2,337	4,255	4,172	3,300	1,882	1,690	1,840
Saudi Arabia	27,742	29,405	17,565	34,494	72,093	78,138	35,594	8,616	3,833	3,000
UAE	5,357	4,589	3,762	6,700	11,932	10,588	7,821	6,729	6,539	6,482
TOTAL	62,576	60,123	46,330	92,835	133,812	102,333	51,488	25,748	16,542	19,994

SOURCE: International Financial Statistics, March, 1986.

U.S. agricultural exports to the Middle East and North Africa, by volume for selected Items, annual 1984 and 1985

	Wheat and flour		Rice		Corn		Vegetable oils	
	1984	1985	1984	1985	1984	1985	1984	1985
				Tons				
Algeria	595,761	844,062	25	0	474,456	526,647	9,197	100
Egypt	2,051,013	2,173,474	33	1,697	1,537,484	1,524,010	72,459	66,050
Libya	64,963	0	89	868	12,600	36,212	0	0
Morocco	2,535,738	451,487	13	20,548	94,621	126,010	3,166	2,275
Tunisia	830,577	70,359	255	0	168,557	171,778	0	0
Total North Africa	6,078,052	3,539,382	415	23,113	2,287,718	2,384,657	84,822	68,425
Bahrain	69	54	548	223	0	0	302	374
Cyprus	14,196	30,590	239	192	41,655	59,495	85	32
Iran	0	0	0	0	0	0	0	0
Iraq	1,119,941	531,864	447,684	406,609	339,255	240,045	101	6,308
Israel	579,657	450,521	288	678	198,305	265,207	820	971
Jordan	384,714	188,474	10,416	1,220	149,467	67,494	415	647
Kuwait	74,640	32	6,686	6,363	20,802	44,835	3,754	3,093
Lebanon	90,440	4,792	861	651	26,971	17,821	1,487	1,479
Oman	0	0	153	140	0	0	686	1,056
PDR Yemen	0	0	0	0	0	0	0	0
Qatar	78	83	8,869	212	0	0	339	276
Saudi Arabia	246,289	49,988	267,679	194,504	143,978	362,264	32,301	28,425
Syria	74,904	56,644	0	0	164,745	167,058	72	67
Turkey	951,424	109,428	21,520	2	209,591	24,732	8,377	5,001
UAE	531	361	4,279	5,655	17,029	27,592	2,180	4,013
YAR	110,230	29,771	38,119	21,189	14,404	10,570	50	40
Total Middle East	3,647,113	1,452,602	807,341	637,638	1,326,202	1,287,113	50,969	51,782
Grand Total	9,725,165	4,991,984	807,756	660,751	3,613,920	3,671,770	135,791	120,207

SOURCE: Bureau of the Census.

U.S. agricultural exports to the Middle East and North Africa by value, selected Items, 1984 and 1985

	Total agriculture		Wheat and flour		Rice		Corn		Vegetable oils	
Country	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985
					$ 1,000					
Algeria	199,236	228,082	98,729	123,028	21	0	62,230	59,760	6,142	108
Egypt	909,151	890,937	328,813	317,753	38	399	222,898	175,944	51,035	43,325
Libya	16,265	5,226	11,365	0	50	253	1,950	4,273	0	0
Morocco	396,042	99,873	357,663	60,330	14	4,992	12,791	14,280	3,105	2,202
Tunisia	154,028	31,093	128,338	8,822	114	0	23,832	19,321	0	0
Total North Africa	1,674,722	1,255,211	924,908	509,933	237	5,644	323,701	273,578	60,282	45,635
Bahrain	7,958	6,738	35	12	310	129	0	0	611	588
Cyprus	29,929	20,516	2,303	4,952	201	158	6,221	6,765	137	47
Iran	2,188	394	0	0	0	0	0	0	0	0
Iraq	534,844	326,101	170,508	78,182	182,461	149,122	48,475	29,061	138	4,695
Israel	333,503	277,381	88,122	63,338	148	239	28,071	31,798	1,005	698
Jordan	97,975	48,380	58,103	26,174	4,681	697	20,506	7,761	595	899
Kuwait	52,059	41,487	11,380	8	3,088	2,733	3,190	5,110	4,913	3,428
Lebanon	29,302	17,593	14,058	949	643	394	3,419	1,986	2,366	1,519
Oman	8,363	8,487	0	0	109	108	0	0	531	817
PDR Yemen	174	281	0	0	0	0	0	0	0	0
Qatar	7,506	3,736	35	48	3,602	121	0	0	623	548
Saudi Arabia	482,136	350,809	81,485	15,665	149,202	101,094	21,447	48,106	40,252	32,671
Syria	38,032	45,470	11,124	9,162	0	0	24,679	19,095	113	105
Turkey	285,791	62,776	139,059	15,724	7,989	2	28,361	3,046	5,568	3,265
UAE	40,013	43,646	231	161	2,433	2,711	2,437	3,096	3,013	4,284
YAR	35,865	14,770	15,238	4,000	16,017	7,779	2,685	1,843	65	75
Total Middle East	1,985,638	1,268,565	591,681	218,375	370,884	265,287	189,491	157,667	59,930	53,639
Grand Total	3,660,360	2,523,776	1,516,589	728,308	371,121	270,931	513,192	431,245	120,212	99,274

SOURCE: Bureau of the Census.

U.S. total exports to and imports from the Middle East and North Africa by value, 1984 and 1985

Country	Exports 1984	Exports 1985	Imports 1984	Imports 1985
	$ Million			
Algeria	520	430	3,638	2,333
Egypt	2,700	2,317	169	79
Libya	200	310	9	44
Morocco	524	273	34	39
Tunisia	433	254	30	13
Total North Africa	4,377	3,584	3,880	2,508
Bahrain	142	106	54	84
Cyprus	73	45	28	14
Iran	162	74	700	725
Iraq	663	426	124	474
Israel	2,145	2,509	1,750	2,123
Jordan	298	377	4	14
Kuwait	602	542	260	184
Lebanon	285	139	7	19
Oman	163	159	160	46
PDR Yemen	62	9	16	1
Qatar	81	61	48	15
Saudi Arabia	5,445	4,359	3,741	1,907
Syria	104	106	2	19
Turkey	1,245	1,289	433	602
UAE	684	592	1,187	671
YAR	69	42	8	1
Total Middle East	12,223	10,835	8,522	6,899
Grand Total	16,600	14,419	12,402	9,408

SOURCE: Bureau of the Census.

The Middle East and North Africa: total agricultural trade with the region by the EC and the United States 1983-85

Country	Total agricultural imports 1983	1984	1985	EC agricultural exports 1983	1984	1985	U.S. agricultural exports 1983	1984	1985	EC agricultural exports 1983	1984	1985	U.S. agricultural exports 1983	1984	1985
	$ Million									Percentage share of total					
Algeria	2,509	2,570	2,790	858	854	880	211	199	228	34.2	33.2	31.5	8.4	7.7	8.2
Egypt	3,887	4,084	4,257	745	981	1,021	970	909	891	19.2	24.0	24.0	25.0	22.3	20.9
Libya	1,515	1,525	1,495	429	419	414	6	16	5	28.3	27.5	27.7	0.4	1.0	0.3
Morocco	1,096	1,300	1,230	190	133	210	208	396	100	17.3	10.2	17.1	19.0	30.5	8.1
Tunisia	516	596	520	201	175	195	114	154	31	39.0	29.4	37.5	22.1	25.8	6.0
Total North Africa	9,523	10,075	10,292	2,423	2,562	2,720	1,509	1,674	1,255	25.4	25.4	26.4	15.8	16.6	12.2
Bahrain	242	224	208	55	66	64	11	8	7	22.7	29.5	30.8	4.5	3.6	3.4
Cyprus	204	195	217	96	109	123	21	30	21	47.1	55.9	56.7	10.3	15.4	9.7
Iran	3,440	3,670	3,490	519	488	500	1	2	0	15.1	13.3	14.3	.0	0.1	0.0
Iraq	2,857	3,085	3,040	273	375	390	342	535	326	9.6	12.2	12.8	12.0	17.3	10.7
Israel	924	981	920	153	153	165	306	334	277	16.6	15.6	17.9	33.1	34.0	30.1
Jordan	668	700	685	109	152	170	79	98	48	16.3	21.7	24.8	11.8	14.0	7.0
Kuwait	1,510	1,440	1,285	196	215	205	69	52	41	13.0	14.9	16.0	4.6	3.6	3.2
Lebanon	573	601	640	194	213	220	55	29	18	33.9	35.4	34.4	9.6	4.8	2.8
Oman	381	435	485	77	85	87	10	8	8	20.2	19.5	17.9	2.6	1.8	1.6
PDR Yemen	285	240	280	77	81	83	1	0	0	27.0	33.8	29.6	0.4	0.0	0.0
Qatar	224	227	218	53	52	55	7	8	4	23.7	22.9	25.2	3.1	3.5	1.8
Saudi Arabia	5,182	5,351	4,900	1,121	1,379	1,400	445	482	351	21.6	25.8	28.6	8.6	9.0	7.2
Syria	878	905	942	183	193	220	19	38	45	20.8	21.3	23.4	2.2	4.2	4.8
Turkey	285	713	550	63	122	105	35	286	63	22.1	17.1	19.1	12.3	40.1	11.5
UAE	1,300	1,380	1,240	256	252	240	58	40	44	19.7	18.3	19.4	4.5	2.9	3.5
YAR	803	809	775	182	217	225	73	36	15	22.7	26.8	29.0	9.1	4.4	1.9
Total Middle East	19,756	20,956	19,875	3,607	4,152	4,252	1,532	1,986	1,268	18.3	19.8	21.4	7.8	9.5	6.4
Grand total	29,279	31,031	30,167	6,030	6,714	6,972	3,041	3,660	2,523	20.6	21.6	23.1	10.4	11.8	8.4

* This figure excludes cigarettes, nonalcoholic beverages, transport trade, and high-valued processed foods which Saudi Arabia includes in its agricultural imports.

SOURCES: Bureau of the Census, 1983 FAO Trade Yearbook, UN Trade Runs for EC countries, and ERS estimates.

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